OUTLOOK FOR EARLY 1960 MARKET

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TO OUR FRIENDS AND SUBSCRIBERS

All over America, the spirit of Christmas is opening our hearts to our friends and neighbors as we gladly join them in creating beauty and good will for the entire community.

That is typically American — for our country was built by men and women working together for the common good. In the beginning, there was a continent to conquer, rivers to subdue, vast expanses to be made habitable, homes to be built — and each one did his work, with everyone taking part. And even as our hamlets grew into cities, our resources and wealth expanded, and our country became increasingly great and powerful, the habit of constructive building — or working together — became the keystone of our success and progress. And, the stature of the individual grew with the initiative and resourcefulness born of freedom.

And in every crisis, men heard the call to arms, left their farms, laid down their tools, and sprang to her defense — so greatly did they love their America.

Now today — the call goes out once more, not for war . . . but for the defense of the principles and ethics that recognized the welfare of everyman — and made our country great. And we must rise to the challenge, to defeat the forces of disintegration and special privilege.

We have experienced even more crucial days and been less prepared, yet we have won. We can conquer this crisis also, by honest and objective thinking — for constructive action in the service of our country is the sure way towards success and prosperity for each one of us individually.

To you, our friends and subscribers, whom we are happy to serve in the year ahead, with all our hearts we wish you well in your undertakings and a full measure of happiness and contentment.

C. G. Wyckoff

Publisher

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THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher*

The Trend of Events

THE TUMULTUOUS WELCOME . . . The emotional greeting of President Eisenhower by literally millions of Asiatic people, left no doubt about the faith they have in his humanitarianism, his sincere desire and striving for peace, and his goodwill toward them.

It gave food for thought to those whose impression regarding the attitude of the Asiatic people toward the United States, had been largely gained through newspaper reports emanating from these countries —indicating that we were disliked and distrusted.

Yet the explanation is quite simple, for the press deals with the controversial matters under diplomatic discussion between the countries. Their information comes from the political leaders. That it is "slanted" news to begin with is very natural. And, it does not have anything to do with the real faith of the people, who are not consulted by the reporters, because the masses have little or no influence in the government decisions on foreign relations, may also be true.

For that reason it was a delightful surprise to learn first-hand that our stock was much higher in Asia than we had been led to believe.

In recent days the people of India, as well as all of Asia, have seen Communist China in action in Tibet—in Southern Asia—and India—and they can be deceived no longer regarding Red China's goodwill. They know the truth. They are aware too of Russian brutality and oppression in Hungary. By actual experience they know that the United States is their sincere friend, who has come to their rescue without quibbling about the "neutrality" of their government, but only with the thought of helping the people of India to a better life and towards the preservation of their hard won freedom.

And in President Eisenhower's appearance and the words he spoke to them, he brought us closer to each other and produced a triumph of American-Asian relations which must never be broken. And this understanding of each other will link us together eternally.

Prime Minister Nehru was so touched by the great demonstration of love and spontaneous affection the people showered on President Eisenhower that in his parting words, "your coming has been a blessing to us, — and you are taking a piece of the heart of India away with you" came from the depths of his own heart. It was more than the diplomatic response in keeping with the amenities of a State visit.

And now that this solidarity has been accomplished, we must build soundly on the wonderful foundation of friendship and peace that our great President has laid down for us. He turned the tide in the cold war with the Communists.

As I See It!

by Sidney Wallenstein

IS UNION LEADERSHIP FINALLY COMING DOWN TO EARTH?

THREE psychological factors of extreme importance are now undoubtedly entering into union labor thinking . . . (1) the loss of public sympathy over a protracted strike when steel wages are as high as $3.11 an hour—tops for any industry . . . (2) the likelihood of latent strikes from those who are working for a lot less and believe they are just as much entitled to $3.11 an hour as the steel worker . . . and (3) a chain reaction across the country against dictatorial union demands, which oblige the general public (not involved) to shoulder added costs and endure shortages and inconveniences so that the steel workers can stay out on strike.

The fact that there is some change in union thinking was evidenced in the settlement with American Can and Continental Can, which had been expected to follow the Kaiser pattern, but failed to do so. In fact, it came closer to the terms suggested by the steel industry, which has been holding firm for a more responsible economic agreement.

Step-by-step, the steel industry, by its strong stand against harmful wage rises, is seeking to oblige the United Steel Workers to take a more realistic position in the current negotiations for a new contract.

Recently there were signs that the steel union is backing down from its most extreme demands, such as its much advertised "billion dollar package." But much remains to be accomplished, not only for the near term, but over the long range. Union leaders—like David J. McDonald, who recklessly ignores the possibility of an extension of the wage-price spiral and continues to avoid the reality, under today's conditions, that an inflationary rise in wages places the American dollar in jeopardy in a sharply competitive world—are doing a great disservice to the people of this country.

The trumped-up claims for a wage rise based on demonstrable gains in productivity have no real foundation. In fact, the British turned down such a demand on the ground that the machinery paid for by capital was responsible for productivity increases and not the worker, a fact that is self-evident. And it now seems likely that the steel industry in the United States feels that the time has come to stand on this platform too, in the light of the unreasonable demands by union leaders.

The first sign that the steel industry is beginning to make progress in bringing the steel union back to its senses was the settlement the union made with the two major can producers, American Can and Continental Can. Here the union not only settled for a smaller package than it obtained previously from Kaiser Steel, but it agreed to a three-year contract dated from October 1, 1959—whereas the Kaiser Steel agreement was for only two years dated back to July 1, 1959.

Steel producers all along have insisted on a three-year contract. But until the union agreed to the CAN settlement, the United Steel Workers had talked of nothing longer than a back-dated two-year contract—which at this stage is merely equal to 18 months, and, in the case of the Kaiser Steel agreement, amounted to a term of only 20 months when it was signed.

The CAN Agreement

Wages — During the 36 months of the CAN companies' agreement, the total cost increases in wages and benefits will be 28.2 cents, not counting cost of living boosts of 3 cents an hour in the second and third years. Hence, total new costs cannot go over 34.2 cents. The Kaiser pact runs much higher and calls for wage and benefit boosts of over 22 cents an hour during its 20 month duration.

It must be remembered, also, that the CAN workers receive an average of $2.73 an hour, whereas steel workers receive $3.11 an hour. The effect of the CAN agreement, therefore, is to make CAN labor fall farther behind the Kaiser Steel workers.

The Profit-Sharing Plan that Penalizes Stockholders — The CAN agreement does not make provision for a long range joint committee, representing labor, management and the public, which, under the Kaiser Steel plan, would seek a formula by which profits would be shared by the union, the stockholders and the consumers of steel. In effect, this would mean a profit-sharing plan which, if agreed to,

would substantially boost the costs of the Kaiser agreement beginning not later than June 30, 1960, when the committee's report may become operable under the terms of the contract.

Work Rules — The CAN companies' agreement did not make any contribution toward the solution of the controversy over Section 2-B in the old steel contract. This is the section that is concerned with work rules and which bars changes in local work practices. (This is only because the CAN companies do not share the same problems.)

For the major steel companies, however, which have been attempting to obtain relief from the inefficiencies which are perpetuated under the terms of Section 2-B, the matter is of vital importance if they are to be able to meet domestic and particularly international competition.

The steel industry has lost the major portion of its export market, and has witnessed a sharp rise in steel imports in this country — imports which are likely to remain a continuing problem for years to come, in the light of the great wage differential between payrolls in the United States and abroad.

The steel union chose to ignore this factor, as well as the stern competition steel is meeting in this country from aluminum, cement, plastics and other modern materials — conditions that call for modernization of the ancient Section 2-B provision.

By decreasing production costs through ending various types of featherbedding, workers can assure greater security for their own jobs as our steel industry thrives and maintains its position as a pillar of prosperity in the United States.

No Plants Abroad

And labor would benefit from this prosperity, for the steel industry has been one of the very few that has not joined the rush to invest in foreign facilities. This is in sharp contrast to the many industries which, to avoid the loss of export trade to the developing common markets, and other hindrances, have invested extensively in plants abroad where they can serve the people in line with the income levels existing in these foreign countries.

The steel companies have acted in a most responsible manner to preserve and forward the progress of the industry in this country against all comers, and have extended every effort to keep the industry strong within the borders of our country.

Carmack in The Christian Science Monitor

"Taking a beating."

Instead of cooperating with this effort to sustain the strength of the American steel industry—to attain greater security for the workers—and to make sure that more jobs are not "exported"—the steel union is attempting to hog-tie the industry with obsolete working practices.

Yet, officials of the steel union should not shut their eyes to the fact that intolerable demands might cause the steel companies to seriously consider investing money in new foreign steel plants, where the return to the stockholder would be better and where union restrictions on efficiency are non-existent.

To tell this story to the workers is part of the new program adopted by the steel companies, who are seeking the right of a secret ballot under the Taft-Hartley law, in which, before the 80-day period is up, the workers will be able to vote for or against a continuation of the strike—something which Mr. McDonald, the head of the steel union is taking steps to avoid.

The strain under which business executives have been working cannot continue. It is bound to cut their efficiency—to hinder the development of creative ideas — and may drive them — with survival in mind—to move to an atmosphere more to their liking. And many places can be found all over the world for the capable American business executive. He does not have to be subjected to the whims and destructive tactics of the autocratic union bosses. The move toward decentralization of American industry to foreign fields, where our "know-how" will be greatly appreciated, is going ahead rapidly, and investments in foreign plants have reached enormous proportions — building the economies and the standard of living for the people of those countries to heights previously not experienced.

This trend has caused serious thinking, and had apparently made a deep impression on Walter Reuther, president of the United Auto Workers. For, when last year's labor negotiations came up, Mr. Reuther signed a non-inflationary agreement which permitted the industry to hold the line on prices of its 1960 model cars. More than that—Mr. Reuther signed a three-year contract with almost no urging, whereas the industry had not expected to get more than a two-year contract.

Competition, sooner or *(Please turn to page 384)*

Market Outlook For Early 1960

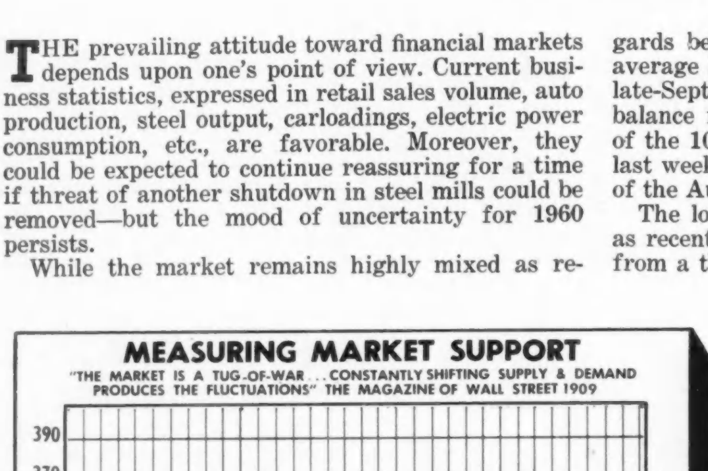
Upward tendencies are probable at least into January, due to seasonal influences and high hopes for 1960 first-half business volume and profits. Later potentials are questionable, since stock valuations are verging on the extreme and tight money is restrictive. This is a better period for nimble traders than for new buying by investors.

by A. T. Miller

THE prevailing attitude toward financial markets depends upon one's point of view. Current business statistics, expressed in retail sales volume, auto production, steel output, carloadings, electric power consumption, etc., are favorable. Moreover, they could be expected to continue reassuring for a time if threat of another shutdown in steel mills could be removed—but the mood of uncertainty for 1960 persists.

While the market remains highly mixed as regards behavior of individual stocks, the industrial average has extended its zig-zag recovery from the late-September low point. It has gained ground on balance for four consecutive weeks and risen in 7 of the 10 trading sessions of the past fortnight. At last week's best level, it had recovered close to 96% of the August 3-September 22 fall of 61.65 points.

The long-laggard *rails* fell to a low for the year as recently as November 17, thus giving up not far from a third of their entire prior rise from the depressed late-1957 level; but have since had a fair rally, with steady gains over the last fortnight interrupted by dips in two days late last week. However, only a few selective rails have been holding the rail average up. Our January 2nd issue will feature a rail story pointing up strength and weakness in the various issues.



Reflecting the inhibiting effect of high money rates on general demand for income stocks, *utilities* have had only a small rally. The average remains nearer the September bottom, which no doubt will stand as the 1959 low, and will prevail near that level rather than around its bull-market top of last March, for significant improvement will remain absent so long as utility dividend yield is well under the return, not only on top-grade bonds, but also on short-term Treasury obligations. Indeed, it should be noted that today's average yield on *tax-exempt municipal bonds,* is above the available after-tax yield of most utility equities. A major study of the utilities in the various categories important to every utility investor, will also appear in our January 2nd issue.

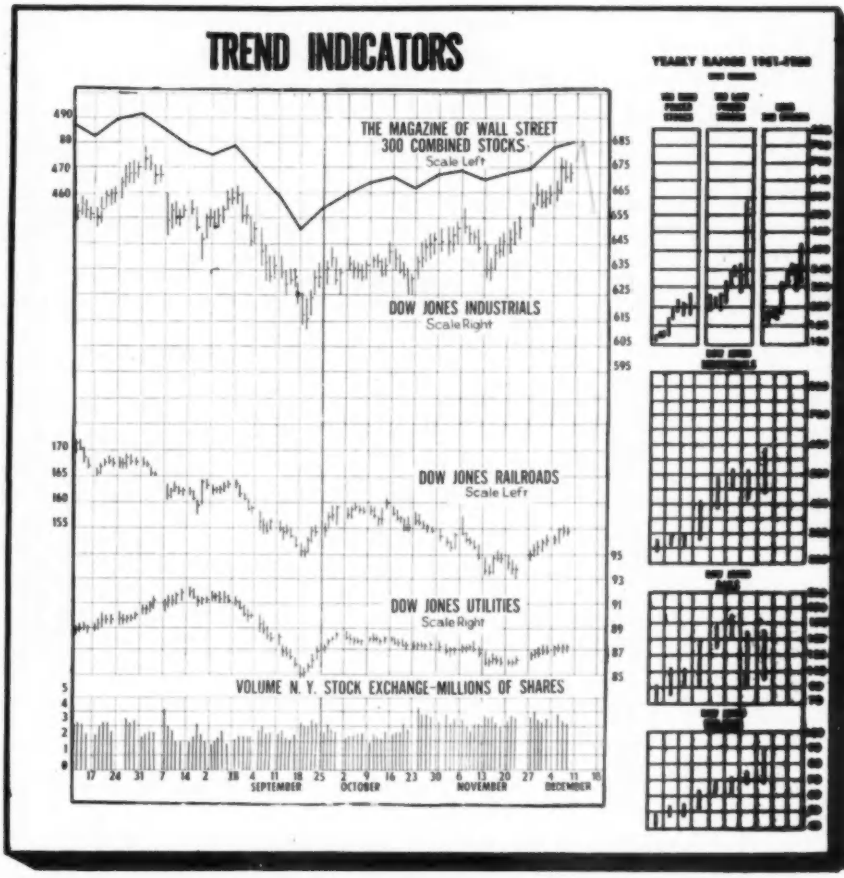
Current Technical Indications

As charted herewith, our Demand Measurement has risen, with Supply reduced, thus narrowing the spread further, and making it the least un-

favorable showing in some time—pointing to a higher market for early next year.

Last week, declines in individual stocks slightly exceeded the number of advances, contrasting with the prior week's good showing of a fairly wide majority of gains, *in which the blue chips were a major factor.*

Despite the fact that the industrial list is a little distance under the year's best level, the number of stocks reaching new highs remains fairly small so far. Over the fortnight it has been modestly in excess of the number of new lows (excluding preferred stocks from the latter total). In the market's best day last week, "upside" stocks exceeded the number of "downside" stocks by a ratio of less than five to four, and there were only 30 new highs for the year recorded out of over 1,250 issues traded in, showing that the market is not nearly as strong as the general average suggests—indicating high selectivity.



Also, market performance signifies that the bulk of the tax selling in relatively depressed stocks has been completed; and that the rest of it, in the few remaining days of 1959, can be absorbed without visible effect on the general market.

The theoretical "supply" levels represented by the August and July highs for industrials and rails, respectively, are not particularly significant. The market did not spend much time around those levels and no great number of people are "hung up" in stocks acquired at the highs. Moreover, many of those who have been hoping for a chance "to get out even" will, by that human psychological quirk, be likely to change their minds when and if the highs are again reached. For penetration of a prior high, commonly assumed to have technical significance, always hinges primarily on psychology and circumstances at the time.

The bull market, which began in 1949, sems to be entering the final stage of enthusiasm, and a topping-out point must be watched for.

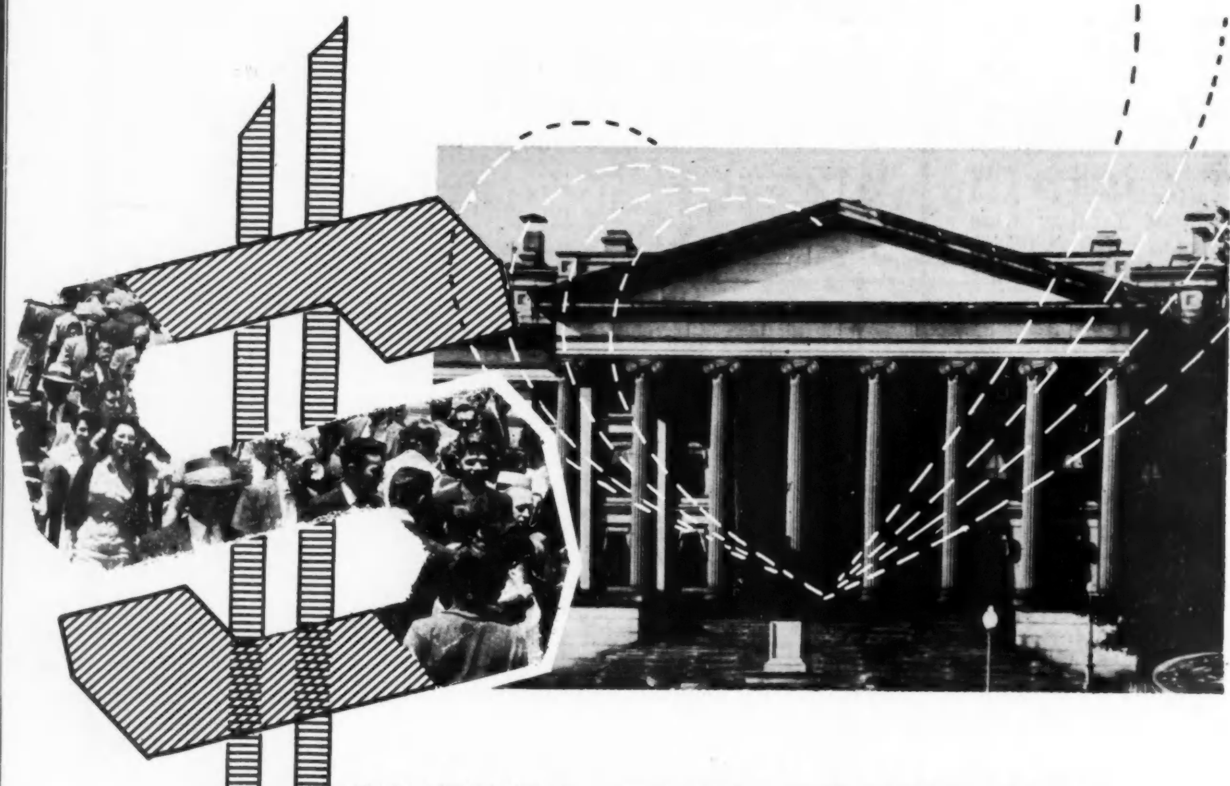
In the meantime the business outlook for 1960 will feel the effects of higher output to make up for strike-induced shortages which slowed activities in the latter part of 1959, so that any price advance may well add impetus to inflationary thinking in the stock market.

Trader activity in the blue chips could greatly stimulate public interest—a bonanza for the traders but usually with a costly aftermath for the investor.

And Now

The highly selective character of market activity is clearly indicated by its responsiveness to rumors or any conjecture suggested by the news. Thus, after Secretary of Labor Mitchell called for both sides to work toward agreement via third-party arbitration —a proposal closely in line with one made earlier by the union—the industrial average "took off" last Tuesday, with a gain of 9.72 points, largest in many months. But nearly half of that surge was given up in the following session after the steel managements rejected the proposal. With re-emphasis on uncertainty as to when and how the impasse might end, the market moved in a narrow range for the rest of the week.

Important investment decisions will await President Eisenhower's return, in the hope that he will prevent the recurrence of an economic crisis in the event steel managements and union leaders fail to agree on a new contract before the injunction expires late next month. Whether Congress will enact legislation to clip labor's wings in an Election Year in order to create greater price stability in our economy—and the extent to which the Administration will go in pressing anti-trust legislation in the light of the testimony emerging from the Kefauver Committee hearings on *(Please turn to page 384)*



SHOULD THE VALUE OF THE DOLLAR REST ON GOLD—

Or on our real wealth?

- **Answer to puzzled people who believe we went off gold in 1933**
- **Economic and psychological factors regarding gold that determine the prestige of our dollar**
- **Safeguards needed against the dangers of unrealistic and opportunist money managers**
- **Where legislative controls are needed similar to those abroad—notably in England—to provide the needed security under change**
- **What is required to establish sound currency based on our assets—our wealth . . . rather than risk the evils of eventual devaluation**

By Paul J. Maynard

TODAY the dollar is less attached to gold than it was prior to 1945, and it is considerably further away from gold than it was prior to 1933. Yet, in effect and psychologically, gold is looked upon as representing the final measure of the value of the dollar.

Now a suggestion has been put forth by the economist of a leading New York bank which, if adopted, would remove the dollar another long step away from gold. Does this mean that the dollar eventually will lose all gold backing, and if so, what is the significance of such a development with respect to the soundness of our currency?

In order to arrive at some reasonably intelligent answers to these questions, it is necessary to view the question of the position and functions of gold from the point of view of recent economic and financial history. *Also it may be well to consider gold as a domestic or internal currency backing separated from its important function in settling international accounts.*

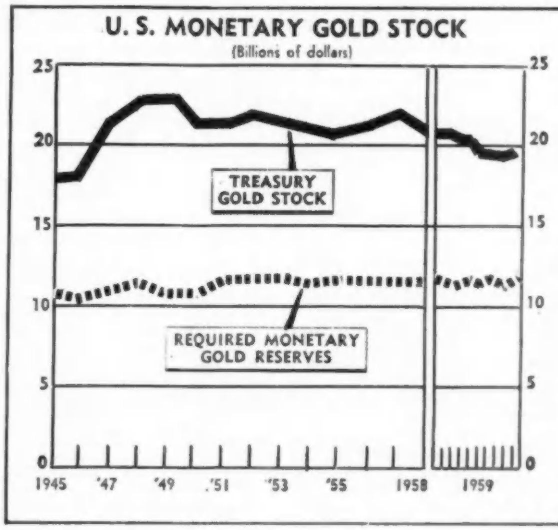
The Current Proposal

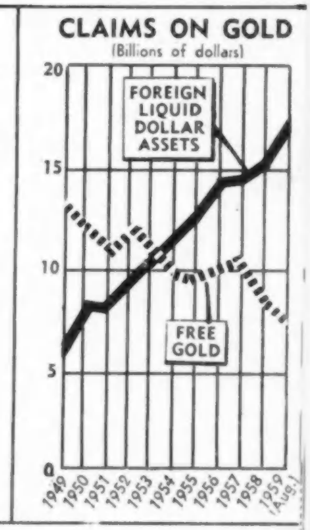
Before turning to a review of the changes which have taken place in the relation of the dollar to gold over the past three decades, it may be well to outline briefly the nature of the current proposal and the background against which the suggestion is made.

It is suggested that Congressional action be taken to reduce or eliminate the present requirement of a 25% gold certificate reserve against Fed-

eral Reserve note and deposit liabilities. Since these liabilities currently total about $47.5 billion, it is contended that almost $12 billion of our $19.5 billion gold supply (down from $23 billion since 1952), now tied up as a reserve, would be freed to lend additional support to our international gold position.

This suggestion is made in the light of the outflow of gold from the United States occasioned by a continuing unfavorable balance of payments. It calls for a serious re-examination of the whole question of the present position of the dollar and what the gold reserve behind the dollar actually means.





1933 and Today

Gold today performs a far different function in relation to the domestic and international position of our currency than it did in the days prior to 1934 when gold circulated freely in our monetary system and the dollar was convertible into gold coin on request. ►In those days gold acted as a balancing or correcting force, tending to restore economic equilibrium as it flowed into or out of a given country. ►As gold flowed out, there would be a reduction in the amount of available credit, causing higher interest rates and a constraction in business activity. ►This in turn would tend to lower prices and stimulate exports at the same time that it reduced imports, bringing about a return flow of gold. ►Conversely as gold flowed into a country, the amount of currency and credit would be increased, reducing interest rates and creating a set of conditions which tended to reverse the direction of the gold flow.

Since 1934 the function of gold with respect to the backing for our curency has been far different than it was prior to that date. Largely as a result of this, and because gold no longer flows freely between nations as it did when most of the countries were on a gold coin or gold bullion standard, gold no longer serves as an automatic balancer of economic ebbs and flows.

The dollar drifted a long step away from gold when under legislation enacted in 1934 it was no longer freely convertible into gold. An indirect link to gold, however, was maintained through the requirement of a gold certificate reserve of 40% against Federal Reserve notes, and a 35% reserve against deposit liabilities.

Why Willy-Nilly We are Still Tied to Gold

In the international field, a necessarily stronger tie to gold was maintained through the Treasury's willingness to buy or sell gold at $35 an ounce. This enabled foreign individuals and foreign central banks to elect to settle dollar claims in gold or to sell gold for dollars in international monetary transactions. *With the ending of gold's function as an economic balance wheel,* the Federal Reserve and Treasury authorities began to utilize more intensively their control mechanisms.

After That

In 1945 Congress enacted a 25% gold certificate ratio in place of the earlier provision calling for a 40% gold certificate reserve against Federal Reserve notes, and a 35% reserve against deposit liabilities. *The effect of this legislation was to remove the dollar somewhat further away from gold by reducing the amount of gold backing and by establishing the precedent that the reserve could be reduced at will.*

And Now

Now it is proposed that the gold certificate reserve of 25% against Federal Reserve notes and liabilities be further reduced or eliminated. This would move the dollar still further away from gold, since the formal or required reserve would be reduced or eliminated. In judging the wisdom of a step such as the one now proposed, it is well to examine carefully arguments for and against the move.

Arguments For and Against

Among the principal points mentioned in favor of the proposal to eliminate or reduce the gold certificate reserve requirement against Federal Reserve notes and deposit liabilities are the following:

(1) It would enlarge the "free" gold, available to meet international claims, from a present figure of $7.5 billion ($19.5 billion less $12 billion required reserve) to the full $19.5 billion if the reserve were eliminated, or to some intermediate figure if it were reduced. The argument is that *if this were done at a time when there was no pressure or weakness in the situation, the additional "free" gold reserve against foreign dollar claims would strengthen the dollar's international position and so reduce the possibility of large gold demands from this source.*

(2) It is further contended that the 25% gold certificate reserve against Federal Reserve Notes and deposits, *has relatively little significance since the domestic dollar is not con-*

vertible into gold under any circumstances. The fact is cited that among all the countries of Europe, only Belgium and Switzerland require their central banks to hold significant gold reserves against their domestic liabilities. The Bank of England has only about half a million pounds against 400 million pounds in circulation,—and *in Canada the central bank has no gold against currency in circulation.*

(3) A third major point made in favor of the move is—*that under present conditions the strength or weakness of the dollar will depend in the final analysis on such factors as the effectiveness of our credit control policies, the general soundness of our economy and fiscal debt management policies.* These will have considerably more bearing on the soundness of our currency *than how much gold certificate reserve is held against it.*

(4) A final argument for the proposed reserve reduction is,—*that there is a precedent for it in the reserve reduction effected by Congressional action in 1945 without any observable harmful effect.*

Arguments against the proposed reduction or elimination of the gold certificate reserve behind the dollar include the following:

(1) This would be a major step away from the *discipline* of a gold reserve, even if it is only a gold certificate reserve. *The gold reserve performs certain important functions in restraining credit expansion and exerting pressures for sound money through actual or potential outflow to other countries.*

(2) In answer to the argument that most other nations do not have substantial gold reserve requirements against domestic currency circulation, it can be cited that *certain countries, notably England, have legislative controls over the amount of currency which the central bank may issue. This is a control which we do not have.*

(3) It may be agreed that in the final analysis the strength of the dollar depends more on such matters as credit control, balanced budgets and effective debt management. *But even after agreeing to this, there remains an unwillingness to remove an important restraint against the expansion of currency which a fixed gold reserve exercises.* While there is considerable confidence in the ability of the present Board of Governors of the Federal Reserve System to administer a sound credit restraint policy, it is possible that at some future date a less judicious group of money managers might gain office. *Under such conditions whatever legal restraints existed might be helpful in keeping the situation in hand.*

(4) With respect to the argument that a precedent was set for Congressional action to reduce reserve requirements when the 1945 Act was passed, one reply might be that because it was done once does not mean that the step must be repeated. In other words, *the opponents of any change in the gold requirements will say that it was wrong to reduce them in 1945 and two wrongs do not make a right.*

Both sides agree that the psychological aspects of the gold reserve problem are of major importance. Proponents of a reduction or elimination of gold reserves against domestic currency agree that *any change, if made, would have to come only at a time when there were no sign of weakness in the position of the dollar. It is fairly obvious that if a reduction in reserves or elimination of reserves were made at a time of weakness, the situation could deteriorate rapidly if foreigners or foreign central banks became uncertain about their ability to obtain gold at the prescribed rate.*

U. S. Balance of Payments
(In Billions of Dollars)

	Average 1951-55	1956	1957	1958	1st Quarter 1959
Merchandise exports *	$13.4	$17.4	$19.4	$16.2	$3.8
Merchandise imports	—11.0	—12.8	—13.3	—12.9	—3.6
Trade surplus	2.4	4.6	6.1	3.3	0.2
Services rendered	5.0	6.3	7.3	7.0	1.6
Services received +	— 3.5	— 4.6	— 5.0	— 5.1	—1.2
Service acct, surplus +	1.5	1.7	2.3	1.9	0.4
Surplus on Trade & Services +	3.9	6.4	8.4	5.2	0.7
U. S. Government transfers *					
Military expenditures	— 2.2	— 3.0	— 3.2	— 3.4	—0.8
Economic grants	— 2.2	— 1.9	— 1.8	— 1.8	—0.5
Loans and credits (net)	— 0.2	— 0.6	— 1.0	— 1.0	—0.1
Subtotal	— 4.6	— 5.5	— 6.0	— 6.2	—1.4
Private capital outflows (net)	— 1.1	— 3.0	— 3.2	— 2.8	—0.4
Total government & private transfers	— 5.7	— 8.5	— 9.2	— 9.0	—1.8
Deficit in Balance of Payments	— 1.8	— 2.1	— 0.8	— 3.8	—1.1
Settled by Gold sales to foreigners (+)	0.2	— 0.3	— 0.8	2.3	0.1
Increase in foreign short-term assets	1.0	1.4	0.4	1.1	0.6
Increase in foreign long-term assets	0.2	0.4	0.3	—	0.2
Foreign capital and gold	1.5	1.5	— 0.1	3.4	0.9
Unrecorded payments (errors and ommissions)	0.4	0.6	0.8	0.4	0.2

*—Excluding Military aid programs.
+—Including private remittances; excluding military expenditures abroad.
Source: U. S. Department of Commerce.

In Conclusion

Whatever side is taken on the question of whether we should

(Please turn to page 375)

3 Companies that offer desirable
MULTI-INDUSTRIAL DIVERSIFICATION
To The Investor

By ROBERT B. SHAW

★ "DON'T PUT ALL YOUR EGGS IN ONE BASKET!" is an old saw, doubtlessly coined long before the modern securities market was ever remotely conceived, and has been repeated to investors almost *ad nauseum* until many of them must be thoroughly tired of hearing it. Some of them, out of sheer defiance, have probably gone out and deliberately plunged all of their money into single enterprises of limited scope. A contrary philosophy, "Put all your eggs in one basket and watch that basket carefully," has even found expression.

Nevertheless, diversification remains an indispensable rule of investment. It would be superfluous to defend it here; the real question facing investors is not whether, but *how*, to diversify.

The salesman's answer for the small investor is, of course, the investment trust. Many different types of trusts can be found, some of which will meet various investment objectives. Still, these institutions do have limitations. Most of them charge initial loads which are proportionately higher for the smallest investors. Finally, many share holders will find greater satisfaction in being direct participants in operating companies rather than merely holding a diluted claim upon industry in general.

The answer for the general category of investors is to be found in the single companies either possessing broad internal diversification or having substantial outside shareholdings of their own.

Nearly every company has, in recent years, expanded both its product line and its range of market outlets, some of them by imperceptible growth, others by bold acquisitions of supplementary, or even competing enterprises. This means that they all offer much greater diversification than twenty years ago. This is true even of those companies which may seem to have stuck closely to their knitting, for the names of many single products, such as "chemicals"

Companies with Investments in Varied Fields

(M. A.) Hanna Co.

	Number of Shares Held	Market Price Dec. 3 1959	Valuation	Indicates 1959 Dividend Payment Per Share	Estimated 1959 Dividend Income
Algoma Steel Corp., Ltd.	278,000	$39.00[1]	$10,842,000	$1.00	$ 278,000
Bankers Trust Co.	30,000	96.25	2,887,500	3.00	90,000
Consolidation Coal	2,304,069	38.12	87,831,110	1.25	2,865,088
General Reinsurances Corp.	72,599	79.00[1]	5,735,321	2.00	145,198
Hanna Mining Co.	664,640	123.00[1]	81,750,720	1.60	1,063,424
Industrial Rayon	382,100	20.25	7,737,525	—	—
National City Bank of Cleveland	36,000	84.00	3,024,000	2.40[2]	86,000
National Steel	2,001,390	96,00	192,133,440	3.00	6,004,170
Phelps Dodge	80,000	56.75	4,540,000	3.00	240,000
Standard Oil of N. J.	498,331	49.75	24,791,967	2.25	1,121,244
Texaco	187,500	84.25	15,796,875	2.60[3]	487,500
Total			$437,070,158	—	$12,380,624
Per share of M. A. Hanna stock			$ 141.40	—	$ 4.00

1—Recent Price.

McIntyre Porcupine Mines *

	Number of Shares Held	Market Price Dec. 3 1959	Valuation	Indicates 1959 Dividend Payment Per Share	Estimated 1959 Dividend Income
Abitibi Power & Paper Co., Ltd.	6,000	$39.37	$ 236,220	$1.70	$ 10,200
Algoma Steel Corp., Ltd.	400,000	39.00	15,600,000	1.00	400,000
Aluminium Ltd.	23,630	31.50	744,345	.55	12,996
Amerada Petroleum	196,000	76.50	14,994,000	2.00	392,000
American Metal Climax	56,282	24.12	1,357,521	1.20	67,538
Asbestos Corp., Ltd.	5,000	25.37	126,850	1.40	7,000
Bank of Montreal	11,400	54.50	621,300	1.85	21,090
Bell Telephone of Canada	118,545	44.25	5,245,616	2.00	237,090
British American Oil Co. Ltd.	29,000	33.62	980,980	1.00	29,000
Canadian Bank of Commerce	3,000	61.00[1]	183,000	1.80	5,400
Consolidated Mining & Smelt.	9,000	20.37	93,060	.80	7,200
Consolidated Paper Corp. Ltd.	12,550	38.00[1]	476,900	2.00	25,100
Dominion Textile Co., Ltd.	35,405	9.75	345,198	.60	21,243
International Nickel	138,000	106.50	14,697,000	3.00	414,000
Moore Corp. Ltd.	18,000	41.75	751,500	.80	14,400
Powell River Co. Ltd.	9,000	17.00	153,000	.75	6,750
Price Bros. & Co. Ltd.	6,000	46.25	277,500	2.00	12,000
Steel Company of Canada Ltd.	23,332	88.62	2,067,981	1.90	44,330
Ventures Ltd.	400,000	26.00[1]	10,400,000	.50	200,000
Total			$69,351,971	—	$1,927,337
Per share McIntyre Porcupine stock			$ 90.89	—	$ 2.52

1—Recent price. *—3 for 1 stock split to be distributed about 1/8/1960.

or "textiles" or "rubber," have acquired a broader meaning and have found many new uses. In this story we suggest a list of three companies that may provide precisely as much diversification as twenty companies would have done a generation ago.

Multi-Industrial Diversification

Probably the broadest single-package investment available is giant **General Electric**. The fourth largest manufacturing corporation in the country, GE appears close to the top of nearly everyone's list of favorite stocks. Professional investors, however, do not favor it quite as strongly as the general public, for it appears only in thirteenth rank on a list of the largest aggregate holdings of 71 leading investment trusts. Of course, single-issue diversification is no objective of these funds. Let us reexamine GE briefly to determine how well it can qualify as a single-package commitment for the individual investor. Happily, this company facilitates analysis by giving out full information on its operations.

Locations—Diversification has several different aspects; among these are products, markets and geographical location. It would be hard to beat General Electric in any one of these. Its plants are extremely widely dispersed. Although Lynn, Mass., and Schenectady, N. Y., can perhaps claim some esteem as the company's original joint domiciles, operations are now conducted in over 100 individual plants in roughly one half of the states.

Products and markets are, of course, closely related. The company's most recent annual report gives a clear picture of its wide product range; this extends from electric locomotives and massive generators through household appliances to the tiniest transistors and semi-conductors. The actual sales breakdown in 1958 was as follows:

Heavy capital goods 24%

Consumer goods 26%

Components supplied to
other manufacturers and
distributors 26%

National defense items 24%

In appraising this surprisingly symmetrical division it is important to remember that the electrical equipment industry represents an almost unique combination of maturity and youth. Household electricity, light bulbs and simple appliances are very much older than automobiles, many chemicals or synthetic fibers; the memories of very few living persons reach back beyond the age of electricity. (GE itself has a dividend record unbroken since 1899). Yet the industry has shown an undiminished flexibility and aggressiveness. The loss of some important markets, such as that represented by the once far-flung street railways, has been no more than a minor episode in its growth. Since 1949 alone General Electric sales have expanded at a substantially higher rate (120%) than the Gross National Product (70%). Research expenditures approximating $250 millions per annum—roughly three times the United States average in terms of sales—provide the best possible assurance that this leadership will be retained.

Investors intrigued by the romantic possibilities implicit in such wonder stocks as Texas Instruments or Litton Industries may need to be reminded that projects of similar potentialities are being explored by General Electric.

Continuing Research—The most recent annual report lists the principal areas of the company's abstract research, the details of which will mean little to the layman, but which do suggest the recurring discovery of products that will have a healthy impact upon sales volume. In a company as large as General Electric, of course, the effect of any unusual success (or failure) with a single product will be thoroughly diluted before it reaches the final net income line—and this may deprive some stockholders of the thrill they experience in picking an isolated winner—but it will be none the less real for that reason.

In the field of *atomic energy development* General Electric apparently runs a little behind Westinghouse but is otherwise the ranking company.

No picture can be perfect, and a discerning eye can detect a few tiny flaws. The substantial proportion of sales going into national defense creates some vulnerability in the light of the *remote* possibility of a genuine disarmament plan.

Export sales, at about 6% of the total, are relatively small, and net investment of $53 millions in foreign subsidiaries—not consolidated in the balance sheet—amounts to a mere 2% of total assets. This hesitation in entering the foreign field creates some threat of aggressive competition from abroad. The intricate nature and high skills involved in many of the products will limit such competition, but some items, at least, will be vulnerable.

Thoroughly diversified as it is, substantially all of GE's products are dependent upon a single form of energy—electricity. It is not likely to be replaced. It is hard to visualize such a possibility. As yet electricity provides only about 15% of all expended energy in this country, and its scope for future growth is much more impressive than any likelihood of substitution. Except in minor applications electricity is not competitive with fuels; rather, it is a method of transmitting fuel-derived energy—the cleanest, most efficient method known. Electricity is also immensely flexible, so that it can equally well drive a locomotive or a dentist's drill.

General Electric

Plant Locations	Products
Schenectady, N.Y.	Motors, generators, turbines, condensers, castings, patterns, power tubes, ordnance products, insulation materials.
Richland, Wash.	Owned by and operated for AEC (Atomic Products).
Louisville, Ky.	Household appliances, air conditioners.
Lynn, Mass.	Turbines, jet engines, and accessories, instruments.
Evendale, Ohio	Jet engines and accessories, atomic products.
Erie, Pa.	Diesel-electric-gas turbine locomotives and equipment, motors, castings.
Pittsfield, Mass.	Transformers, electrical products, phenolics and other chemical materials, magnesium oxides, ordnance equipment.
Fort Wayne, Ind.	Motors, specialty transformers.
Syracuse, N.Y.	Radio and television accessories, electronic equipment, defense equipment.
Cleveland, Ohio	Lamp-making machinery, lamp glass, vacuum cleaners.
Bridgeport, Conn.	Wire, cabls, wiring devices, fans.
Philadelphia, Pa.	Switchgear, circuit breakers.
Cicero, Ill.	Refrigerators, ranges, freezers.
Peterborough, Ont. ...	Motors, generators, controls, switchgear, wire and cable, atomic products.

At around 92 GE is yielding a rather austere 2.2% on its current $2 dividend and the price/earnings ratio on indicated 1959 net of about $3 per share is a high 30 times. *Some better buying opportunity within the intermediate future is likely,* and it is probable that the present price will at some day look extremely cheap.

Industrial Diversification Through Investment

Another avenue of broad diversification via a single stock is offered by companies with extensive outside interests. This situation is fairly common, as many companies, for various reasons, hold substantial interests in other corporations. Two organizations, however, *M. A. Hanna* and *McIntyre Porcupine*, are outstanding in this feature, and deserve consideration by those desiring the broadest possible industry representation in a single package.

M. A. Hanna is an unusual organization in more respects than one. It is old (originally founded in

1867), large (a $400 million balance sheet) and has a substantial issue of over three million shares outstanding, and yet remains unlisted. The stock is also divided into A and B categories, the former without voting power. The company became somewhat more familiar to the public when its chairman, George M. Humphrey recently served a term as Secretary of the Treasury.

Directly or through consolidated subsidiaries Hanna mines iron ore and coal and operates a fleet of ten ore-carrying vessels on the Great Lakes. Formerly it was also a steel manufacturer but thirty years ago it transferred its furnaces and some of its mines to National Steel in return for a substantial stock interest in the latter. Nickel is produced on a small scale at a smelting plant in Oregon. Hanna ranks as the largest shipper of coal via the Great Lakes, to both U. S. and Canadian ports. Anthracite coal has, of course, suffered a steady decline, but bituminous, most of it destined for industrial uses, has held relatively stable. Ore shipments fluctuate with the rate of steel mill activity, but have shown a very healthy increase over the long run.

Extensive Holdings—Hanna is more distinctive, however, for its extensive outside holdings. These include a joint interest (with Republic Steel) in large iron ore reserves in Venezuela, and a 15% participation—part of it indirect—in Iron Ore Company of Canada. The latter, a joint undertaking by eight steel or mining companies, has been an outstanding success. The high ore-content Labrador mines were opened in 1954 and in 1957 shipped a record load of 13 million tons, although output dropped sharply in the 1958 recession year. Total reserves well in excess of 400 million tons at this property will cover even an expanded operation for years to come.

Most of Hanna's other outside holdings are in listed companies itemized in the accompanying schedule and too well known to require description. These have been rgarded as permanent commitments, so that Hanna, rather than making frequent changes in its portfolio, has ridden up and down with the vicissitudes experienced by several of them. The only loss has been suffered in Industrial Rayon, in which Hanna has a 20% interest, but other issues, such as Phelps Dodge and Consolidation Coal, have shown less than average growth, and better results might have been achieved by a more active investment program. Nevertheless, this has not been Hanna's policy. On the list as a whole—including Hanna Mining Company, a former consolidated subsidiary spun off in 1958—profits have aggregated $337 million. If marketable stocks of nonconsolidated subsidiaries, other than Iron Ore Company of Canada, were carried among current assets rather than as "investments," then net current assets per share would be lifted to $149 from the merely nominal $8 that appears from the balance sheet as stated.

At its present price around 126 Hanna is hardly attractive for its 2.5% yield. In the first half of the present year the company showed a fair recovery from its 1958 recession set-back but after being hit by the steel strike it is doubtful whether full-year earnings will be very much above the $3.96 reported last year. Thus, there should be no urgency in buying the stock. Over the long run, nevertheless, the company's important mining interests promise steadily increasing earnings. The investment portfolio, which accounts for considerably more than half of net income, will likewise provide a representation in other important industries. As mineral deposits feature so prominently among the assets owned, both directly and indirectly, Hanna should represent an excellent inflation hedge. The possibility of listing some day, with resultant greater popular interest, also offers an enticing "extra."

A second company, likewise unfamiliar to most investors, is almost a twin of Hanna. **McIntyre Porcupine** is important in its own right as one of Canada's largest gold miners, but here again the tail that wags the dog is an impressive list of outside investments. The income on these—an indicated $1,927,337 for 1959—is more than double the usual operating income derived from the mines. This portfolio does lean strongly toward Canadian stocks, and from that point of view lacks geographical diversification, but by the same token represents an excellent cross-section of Canadian industry. Canada's special opportunities have seemed attractive enough that several investment trusts have been formed particularly to concentrate US funds in north-of-the-border holdings, and McIntyre could serve the same purpose.

McIntyre's investment holdings, exclusive of $6 million government securities, currently aggregate over $69 million, or about $91 per share. As the stock is selling at about 90, this means that the company's own operations are, in effect, thrown in as a bonus. Although only secondary, these operations have some promise. Whether the established $35 per ounce price of gold will be raised within the intermediate future is anybody's guess, but the pressures are all in that direction, while the opposition is based primarily on the fact that this would be an undisguised surrender to inflation. Such a step, however, disastrous for other segments of the economy, to holders of gold stocks would mean—well, a gold mine. McIntyre is, accordingly, a kind of a double-barrelled stock with a double appeal for investors. The tonnage production of the mine and the average recovery per ton have both remained pretty nearly stable for some years, the latter showing a tendency to fluctuate around $10 per ton. Reserves are estimated at about two and one-quarter million tons, equivalent to three years' production of ore, grading .314 oz. of gold per ton. In the past, however, new reserves have been blocked out pretty nearly as fast as they have been depleted. The $3.00 dividend, although only narrowly protected, offers a yield of 3.4%.

Each of these stocks are relatively high priced, but the forthcoming 3-for-1 split in McIntyre will bring the shares into range of even the modest investor. In fact, there are many for whom such single issues providing broad diversification will serve a valuable purpose. **General Electric, Hanna** and **McIntyre** are certainly three outstanding stocks which would meet this requirement. END

STEPPED-UP ANTITRUST ACTION FOR 1960?

By WILLIAM E. BUTLER

- The many ramifications of our anti-trust policy
- Recent actions against various industries and companies — with case histories
- European cartels vs. U.S. mergers
- Antitrust calendar looking to 1960

THE Antitrust Division of the Department of Justice has been displaying extraordinary activity during the second Eisenhower Administration.

Aided by a larger budget, and armed with a more vigorous enforcement policy, the Antitrust Division has brought dozens of cases each year aimed at blocking proposed mergers or at checking price-fixing or monopolistic sales policies. In many of these cases, the division has either won a victory in the courts, or has been able to work out a consent decree under which the alleged abuses were ended.

This stepped-up law enforcement program is aimed at assuring continued "full play of competitive forces." Not content with the results already achieved, the Antitrust division has been seeking new legislation in Congress which would give the department the authority to compel the production of documents during the investigating stage of civil antitrust proceedings; would amend the Clayton Act by requiring that prior notification be made of corporate mergers and acquisitions where capital involved exceeded $10 million; and would amend Section 7 of the Clayton Act to prohibit banks and similar groups from acquiring the assets of other banks when the effect may be "substantially to less competition," or to tend to create a monopoly.

The success of the Antitrust Division in key merger cases has unquestionably forced a major revision in the policies of some corporations.

Attorneys for these corporations have advised them to proceed with the greatest of caution on any merger. In most cases, companies contemplating mergers have agreed to use the voluntary

pre-notification program set up by the Department of Justice. Often this has resulted in an unfavorable decision from the Antitrust Division, and as result, proposed mergers have died aborning. The division has often followed on unnecessarily restrictive policy, and has ruled against proposed mergers which would not have reduced competition. If the corporations involved had proceeded with the merger, and had accepted a test of the case in the courts, it is more than likely that the Department would have found it difficult in some cases to win a victory.

Double Jeopardy?

To business men, it appears that the Antitrust Division's program has been harassing industry unnecessarily. Where a criminal investigation is unsuc cessful, under the antitrust laws and does not result in an indictment, the Department occasionally will use the information obtained in its criminal investigation to launch a brand-new civil antitrust case against the same defendants. This has happened, for example, in cases involving alleged price fixing. Thus, with this one-two punch of the Antitrust Division—following up a criminal antitrust investigation with a civil case covering the same facts—the defendents have been exposed to something approaching double jeopardy.

Antitrust Cases Instituted
January 1, 1959 to

	Type of Action	Commodity
United States v. McDonough Co., True Temper, et al	Criminal	Hand Tools
United States v. Pitney-Bowes, Inc. (Consent Decree)	Civil	Postage Meters
United States v. The Detroit Chevrolet Dealers Ass'n., Incc., et al	Criminal	Autos
United States v. Seam Binding Manufacturers Ass'n. et al	Criminal	Seam Binding
United States v. The Rubber Manufacturers Ass'n., Inc. et al	Criminal	Rubber Belting
United States v. Greater Blouse, Skirt and Neckwear Contractors Ass'n., Inc., et al	Criminal	Blouses
United States v. Greater New York Chrysler Corp., Inc., et al	Criminal	Autos
United States v. Metropolitan Buick Dealers, Inc.	Criminal	Autos
United States v. M & B Dodge Dealers Group	Criminal	Autos
United States v. Automobile Merchants Association of N.Y., Inc.	Criminal	Autos
United States v. Nassau-Suffolk De Soto Dealers Group (Consent Decree)	Criminal	Autos
United States v. Brooklyn and Queens Dodge Dealers Group	Criminal	Autos
United States v. Nassau-Suffolk Dodge Dealers Group	Criminal	Autos
United States v. Nassau-Suffolk Chrysler Dealers Ass'n.	Criminal	Autos
United States v. Firstamerica Corporation	Civil	Banking
United States v. The Hertz Corporation	Civil	Car Leasing
United States v. The Long Island Fence Ass'n., Inc., et al	Crminal	Wood Fencing
United States v. Metropolitan Detroit Ford Dealers, Inc., et al	Criminal	Autos
United States v. Meyer Singer, et al	Criminal	
United States v. Los Angeles Meat and Provision Drivers Union, Local 626, International Brotherhood of Teamsters, Chauffeurs, Warehousemen, and Helpers of America, et al	Civil	Yellow Grease
United States v. Arizona Consolidated Masonry and Plastering Contractors Association	Criminal	Masonry
United States v. Arizona Consolidated Masonry and Plastering Contractors Association	Civil	Masonry
United States v. San Diego Grocers Ass'n., Inc., et al	Criminal	Groceries
United States v. Auto Glass Dealers Ass'n., Inc., et al	Criminal	Auto Glass
United States v. Auto Glass Dealers Ass'n., Inc., et al	Civil	Auto Glass
United States v. Philadelphia Ass'n. of Linen Suppliers, et al	Criminal	Linen Supplies
United States v. Acme Steel Company	Criminal	Steel Stapling

Recent Such Charge Against Steel Companies

For example, the Antitrust Division last month charged that six steel companies and a dozen other companies engaged in fabricating steel reinforcing bars on the Pacific Coast had violated the Antitrust laws by rigging the market in such bars. This was a civil complaint; but it followed a criminal investigation last year, as a result of which the Grand Jury adjourned without returning an indictment after investigating the case thoroughly.

The Case of Proprietary Drugs

That the Department, in its zeal to chalk up a smashing record of achievement, has brought suits of dubious merit appears clear, although on balance the activities of the antitrust division make for a healthy and sound economy. One case which misfired was the antitrust action against the major producers of proprietary drugs, which ended last month in an acquittal for the defendants.

Problems of Enormous Number of Cases

But such reverses are unavoidable, in view of the division's prolific efforts. In 1958, 57 new antitrust cases were filed, one more than in 1957, and 21 more than were filed six years earlier (the last year of the Truman Administration). Of these, 24 were criminal cases, and 33 were civil actions seeking injunctions against practices alleged to be in restraint of trade. About 75 percent of the cases involved industries producing food products or other items of importance to the consumer budget.

During 1959, antitrust cases have been brought at a rate even higherthan in 1958. It is estimated that 59 cases had been brought from Jan. 1, 1959 to Dec. 1, 1959; and with the addition of cases filed during the last month of the year, the total could well go over 65 for the full year.

The cases for 1959 involved a broad variety of actions aimed against mergers, monopolistic positions, price fixing and other illegal methods of abridging competition. Among the products covered were hand tools, postage meters, retail automobile prices, rubber belting, ladies blouses, plumbing supplies, floor coverings, hardware, motor vehicle leasing, wood fencing, frozen foods, auto glass, linen supplies, printing machinery, foam rubber, furniture, newspapers, dyestuffs, watch bands, golf clubs, bank vaults, asphalt, and many other products.

Stepped up Action in Election Year?

With an election year looming ahead, it is certain

by Department of Justice November 27, 1959

	Type of Action	Commodity
United States v. J. M. Huber Corporation, et al	Criminal	Print. Equip.
United States v. American Smelting Company, et al	Criminal	Non-fer.prod.
United States v. Potdevin Machine Company	Criminal	Bag Making
United States v. Chandler and Price Company	Criminal	Print. Presses
United States v. Kennecott Copper Corporation	Civil	Copper Prod.
United States v. Gasoline Retailers Ass'n., Inc., et al	Criminal	Gasoline
United States v. Irving Bitz, also known as Morris Grossman, et al	Criminal	News. Deliv.
United States v. United States Rubber Company	Criminal	Mattresses
United States v. Firestone Tire and Rubber Company	Civil	Mattresses
United States v. Hamilton Cosco, Inc. (Consent Decree)	Civil	Furniture
United States v. Wichita Eagle Publishing Co., Inc. et al (Consent Decree)	Civil	Newspapers
United States v. New York Produce Exchange, et al	Civil	Petrol. Insp.
United States v. Gasoline Retailers Ass'n., Inc., et al	Civil	Gasoline
United States v. Brunswick-Balke-Collender	Criminal	Gymn. Bleach.
United States v. Brunswick-Balke-Collender	Civil	
United States v. Diebold, Inc. & Herring-Hall-Marvin Safe Co.	Civil	Bank Vaults
United States v. Bituminous Concrete Ass'n.	Criminal	Concrete
United States v. Allied Chemical Corp., et al	Criminal	Chemicals
United States v. The Lake Asphalt & Petroleum Co. of Mass.	Criminal	Asphalt, etc.
United States v. Audiofidelity, Inc.	Civil	High Fid. Eq.
United States v. Scott Aviation Corp.	Civil	Breath. Devices
United States v. United Artists Corp. and United Artists Assn.	Civil	Films for TV
United States v. National Dairy Products Corp.	Criminal	Milk & Dairy P.
United States v. Pabst Brewing Co.	Civil	Beer
United States v. Allied Chemical Corp.	Civil	Chemicals
United States v. Bituminous Concrete Association	Civil	Concrete
United States v. The Lake Asphalt & Petroleum Co.	Civil	Asphalt
United States v. General Motors (Euclid)	Civil	Machinery
United States v. Wilson & Geo. Meyer & Co., et al	Civil	Peat Moss
United States v. National Homes Corp.	Civil	Prefabr. Homes
United States v. Blue Diamond Corp., Bethlehem Steel, et al	Civil	Reinf. Steel Bar.

that there will be no let-down in this energetic enforcement policy. A Republican Administration cannot afford to go before the public with a record which indicates that it has lagged prior to the election in enforcement of the laws against monopoly and price fixing. There has come to be little difference between the rival parties in antitrust policies.

Puts U.S. at a Trade Disadvantage

It is unfortunate that the enforcement of the antitrust laws has become such an important political issue, for it can sometimes result in suits being brought which can not only stop the concentration of industry, but which can also weaken the ability of our industries to meet foreign competition, both here and abroad.

Foreign cartels—operating in the European Common Market as well as in other areas—are able to divide up markets, fix prices, decide what products each company will make in a certain country, and in other ways rationalize production, with accompanying savings in production and distribution.

American manufacturers operating abroad however, can expect no relief from the present vigorous enforcement policy which blocks such cooperation among Competitors. In the European common market each of the American Big Four tire companies will be competing vigorously for its share of the available business. But foreign tire producers operating in the same area will be able to hold meetings for the purpose of cutting distribution costs and giving each other assistance.

In the domestic field, mergers of all kinds are receiving the closest scrutiny from the Antitrust division of the Department of Justice. This vigilance will be intensified over the next few months. Several mergers are currently under study by the division, and it is expected that some new actions will be brought soon.

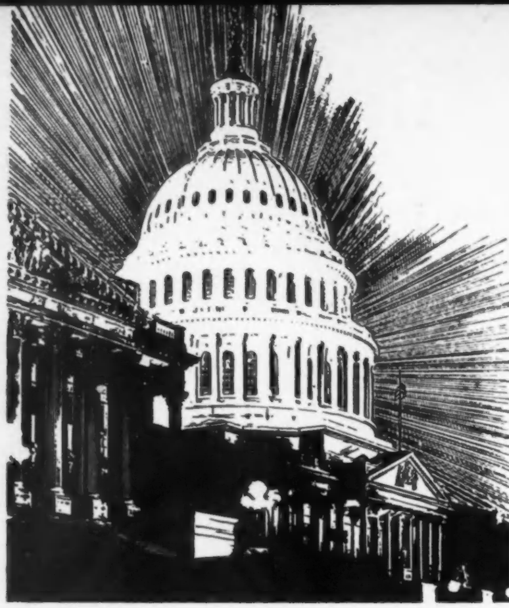
The key victories won by the division in the du Pont-General Motors and Bethlehem Steel-Youngstown cases have provided the Justice Department with precedents which it is exploiting to the fullest extent. In the du Pont-General Motors case, the department was sustained by the Supreme Court in an action brought many years after du Pont had acquired its substantial interest in General Motors. This means that some mergers or acquisitions long consummated may be attacked by the department, if it now feels that they are in violation of the law.

The du Pont-General Motors decision also gave the department the right to attack vertical mergers under Section 7 of the Clayton act, whereas formerly it had been thought that this section applied only to horizontal mergers —that is, consolidations of two paper companies, or two oil companies.

The Bethlehem-Youngstown case demonstrated that the courts were inclined to give rather wide latitude to the antitrust laws. For the company created by this merger would have been substantially smaller than U. S. Steel, the leading producer.

Bethlehem argued, without avail, that its acquisition of Youngstown Sheet and Tube would have increased competition, rather than reduced it. It contended that the merger would bring Bethlehem into the midcontinent area on a much larger scale, providing greater competition for the other major producers in this area.

Ever since the Bethlehem decision last year, the strengthened hand of the Department of Justice has permitted it to block several proposed mergers without even bringing suits in the courts. This has been accomplished through the advance clearance procedure provided by the department for proposed mergers. When notified that the department would not look with favor on proposed mergers, several deals were promptly dropped. *(Please turn to page 382)*



Inside Washington

By "VERITAS"

SPACE program lags. This is known to the Administration, the Congress and interested, outside agencies. Militarily, space navigation is not too important at this time. It has, however, tremendous propaganda value which cannot be ignored. Either we get abreast—or ahead—of the Russians, or we take a "back seat." And that could hurt us in more ways than one. Most damaging would be the Russian-preached thesis that the United States is a backward, lagging nation; that Russia is to the forefront in science, consequently in the production of any and everything based on engineering accomplishment. We can't ignore the threat, nor do we offer, at this moment, anything of an encouraging nature to overcome it. Pentagon services feud with one another; our Space Administration agency feuds with Pentagon; the President knocks no heads together, but goes off to Europe and Asia. We must wake up, take action—even at higher tax cost.

WASHINGTON SEES:

Worsening foreign relations, in this Hemisphere and to the East, necessitate creation of a Government-sponsored Academy on Foreign Relations, just as we have military academies at West Point (Army), Annapolis (Navy) and Colorado Springs (Air Force).

Missing from the picture is adequate training for those who would represent this country on the diplomatic front — men (or women, for that matter) who could, through diplomatic finesse, avert the shooting war; an area in which we are woefully deficient. Bluntly, our diplomatic representatives are chosen for their compaign contributions or for their social prestige.

It adds up to a deplorable situation. Campaign contributuions and social status do not make diplomats of the highest order. England learned this long ago. She studiously trains her foreign service officers. We do not.

The problem is having Congressional and Administration consideration. Either we have competently trained servants in our foreign service, or we have our present assortment of "socially acceptable" diplomats, few of whom can speak the language of the countries they serve — even less, who know the economic problems they face in their posts.

Definite foreign service training would solve the problem. It may come in the next Session of Congress, and with White House support.

STEEL strike settlement is "in the making," according to labor-management relations experts here; not because the President issued a warning on the eve of his departure for Europe, intimating government action if strike is resumed January 26, but because both sides to the controversy have growing sense of public impatience that could be bad for each—could bring ground-swell of demands on Congress for legislation that would be tough on unions and companies alike. President can take no steps, other than persuasion, hence will have to seek new laws—one of which—compulsory and binding arbitration—is already prepared by the Department of Justice. It would have overwhelming grass roots support, could be put through House and Senate in limited time. President is without Constitutional power to end the strike—harsh legislation, feared by both sides, is the only answer. A contract before 80-day cooling off period expires is not an unreasonable expectation.

RAILROAD dilemma seems headed for solution, and without a strike. Featherbedding is the issue. Here again, the President is minus Constitutional power to intervene or to halt a strike. Ace in the hole is his proven ability to swing public opinion toward the side of reason. It was his television appearance in behalf of the new labor (Landrum-Griffin) Act that forced Congress to pass the measure. In the meanwhile, rank-and-file railroaders—the men who operate the trains—have gone through an "agonizing reappraisal" of make-work contracts; realize that the practice has jeopardized their own economic welfare—conceivably could force railroads into government ownership, and the Federal government does no collective bargaining, permits to strikes.

As We Go To Press

Greatest Propaganda Effort In U. S. History got under way Friday, December 4, when President Eisenhower's orange and white jet transport touched down on Rome's foggy, rain-shrouded airport. On hand to cover the event with color news-reels, radio recordings, were no less than 75 technicians from our U. S. Information Agency. Every minute of the President's travels, speeches and crowd reaction was visually and orally recorded. In turn, foreign language sound tracks will be dubbed into the news reels; foreign language translations will be made for the radio recordings. All will be rushed to remotest corners of the world. His entire tour is now available to audiences and spectators, often in a matter of hours for the films—minutes on radio. Nothing was left undone in Herculean efforts to acquaint people everywhere with the personality that is Dwight David Eisenhower. It will cost yet uncounted millions of dollars, but the cost is estimated as "negligible," provided the President's impression on other peoples equals that he has made at home via radio, television and newsreels.

A Preview of Congress is in Order – Not of the Congress itself, but what it faces, or may face on assembly next January 6. Our general condition calls for decisive action— make no mistake about that. We, in a Democracy, can turn to our national legislators for solutions of pressing problems. Administrative powers are constitutionally limited. No quick orders can come from the White House which can only suggest or recommend.

Pandora's Box confronts the men of Capitol Hill. Not the least of their problems will be legislation to make impossible future work stoppages in basic national industries—steel, coal, transportation, oil, communications. Congress can readily legislate; the danger lies in hasty legislation prompted by public revulsion at the abuses that endanger our well-being. History shows that legislation written in the heat of righteous anger rather than cool, composed resolution, may be productive of worse evils than those it is trying to correct

Organized Labor, feeling it is "on the spot," is now readying its own legislative program which will emphasize social reforms rather than any softening of distasteful laws now on the books. It is to be revealed about January 14, after a 3-day meeting of AFL-CIO bigwigs who will give the projected program its final gloss. Sensing that Labor must be "on guard" against what it chooses to call "punitive" Legislation, leaders feel that a program of "liberal" legislation will offset a major portion of the damage Labor has suffered in the public eye as a the public, which may be slow to forgive result of the steel strike. However, abuses of "big unions," still rankle the public, which may be slow to forgive and forget.

Broader social security benefits, without increased taxation, will be accented, although there will be recommendation that the taxable salary base be hiked from the present $4,200 to $6,000, this increase to finance medical and hospitalization benefits for retirees and those permanently disabled before retirement age. This will not be a new proposal but the sponsors believe it will have a good chance since Congress has already enacted a low-cost medical care program for Federal employees.

Other things to be included in a possible 10-point agenda will include lower interest rates on Federally-guaranteed home mortgages; money for rehabilitation of industry in economically depressed areas; a four-to-five billion dollar aid-to-education measure, both for class room construction and teacher salaries; broadened highway program; enlarged appropriation for civilian airport construction. These are a few on the social side of Labor's "ledger." There will also be recommendations for a single authority in our space-missile race with the

Russians, as well as more technical and economic aid for backward countries. Certain to be asked is a bigger voice for Labor in our foreign aid and foreign relations planning. These, according to labor leaders' thinking, will go a long way toward rehabilitation of Labor's now somewhat sullied reputation. They are problems with which Congress will have to wrestle.

On the tax front, the Solons will be confronted with demands for tax cuts but full maintenance of the revenue base. And this is exactly what the Ways & Means Committee has concluded an exhaustive study on. Between now and next January or February—possibly as late as Mid-March—the Committee will wrestle with the problem in the privacy of executive sessions. Confronting them is an Internal Revenue Code of such volume and so shot through with amendments (over 700 in the past 4 years) that revision and simplification—with equity—seems a presently impossible task. In sight, however, is elimination of so-called loop holes and of what some would call "special and undue privilege." Certain to be "axed" are entertainment expenses, depreciation allowances for mineral industries. They won't be completely eliminated, but there will be new definitions, new regulations and certainly reductions. On the favorable side for business is a more realistic schedule of depreciation costs for industrial machinery and equipment.

Not to be overlooked is the possibility of a general and overall excise tax at the manufacturer's level—perhaps as high as seven percent and even applicable to professional services not now taxed. Such a tax, according to experts who have participated in the Ways & Means studies, could bring about reductions in the individual and corporate rates—five percentage points for each. It is a proposal which has considerable support within the Committee, with some reservations; among these that the personal exemption of $600 be eliminated. But hand-in-hand would go a scaling down of the progressive income tax on individuals—perhaps a 50 percent maximum as against the now 91 percent top.

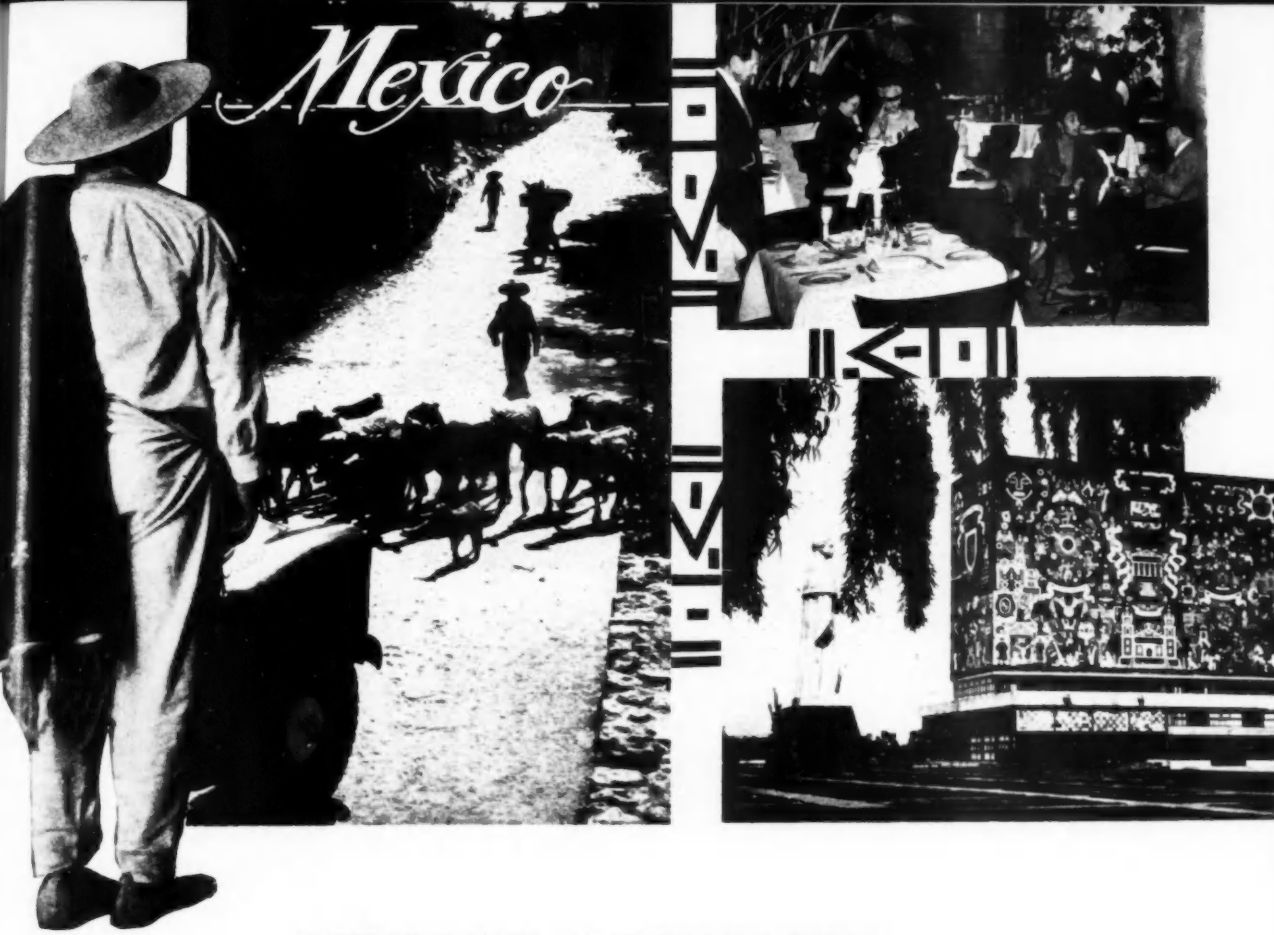
It is too early to say exactly what the final revenue bill will look like, but those conversant with attitudes of the Ways & Means Chairman, Wilbur D. Mills, Arkansas Democrat, and those about him, even this early, sense: 1. A complete overhaul and simplification of the Internal Revenue Code; 2. A broadening of the tax base without dislocation or disruption of business and industry, and 3. Increased Federal revenue which would lead to balanced budgets, a lessening of the National debt and curtailment of inflation.

Elsewhere on the Congressional Scene is a plethora of problems. Some fall within direct province of Congress itself; others, normally, would be handled by quasi-judicial agencies of Washington's marbled mazes of bureaucracy. The agencies, however, have dragged their feet. Congress may feel that it is time to exercise its legislative and appropriations prerogatives and "get into the picture."

Foreign relations, including economic and military aid, will have careful Capitol Hill scrutiny. High on the Congressional agenda in these areas are our rapidly worsening Latin-American relations—including Communist infiltration to the South; rapidly expanding evidence of waste in our overseas aid. Further, the Solons will look with jaundiced eye upon Russia's peaceful overtures, asking if these might possibly be back of seeming Administration indifference to our faltering missile and space progress.

Add it all up—and we haven't mentioned the television and radio scandals which may bring thorough probes of advertising, including press and periodical—and we come up with a painting of confusion, a Congressional load which may not be properly carried in the haste to adjourn before the National political conventions. Labor, taxes, bigger and better social programs, a plethora of investigations.

Sir Winston Churchill probably would phrase it this way: Never so much to do, with so little time in which to do it. However, it can be done, according to reliable Congressional sources who emphasize that part of the burden will be on Congressional constituencies who must let their views be known—not through lobbies but through individual contacts, mail or personal, with their national legislators.



MEXICO REVISITED...
—*An Economic Report on Progress In Areas off the Beaten Path*

By V. L. HOROTH

MEXICO has always had a special attraction for me. Few countries offer such a fascinating blend of the old and the new in a dramatic setting of tropics, deserts, and volcanoes. Reminders of the old colonial world are never far away. But there is also the new Mexico, making great strides in economic development in every direction and molding its people into new social classes. One is aware of the struggle with vexing problems and, at the same time is captivated by the rise of a new world. Indeed, in many respects Mexico is a proving ground, from which other developing countries in Latin America can learn.

As one drives through small towns, past graceful cathedrals hidden behind exotic trees, there is always plenty of fiesta and siesta spirit—especially on market days. But there are changes. The country folks who used to trot along the highways in olden days, now arrive in comfortable modern buses. Instead of patient burros, heavy trucks now make their way through milling fiesta crowds. Handicraft displays are being crowded out by the products of Mexican factories—from radios and tooth paste to blue jeans and paper towels. And Coca-Cola and Pepsi-Cola have taken over as the national drinks of the younger generation.

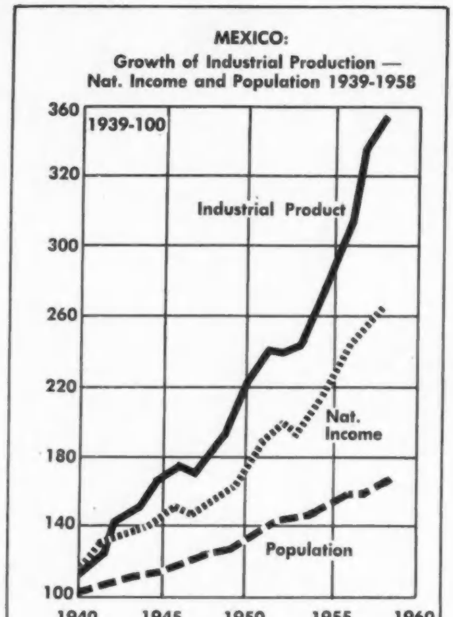
Changes are taking place everywhere. *Perhaps the most remarkable of them—appreciated chiefly by those who knew Mexico a generation ago—is the rise of the middle class. This is the class that has contributed to the political stability of the country in recent years and that has helped to develop the Mexican brand of democracy.*

This class has raised its standard of living to a point comparable with that of some European countries. But much remains to be done. A large segment of the country—perhaps more than half—centered largely in the southern States and the roadless mountain areas, still lives near the subsistence level, contributing little to the country's economic life. When this segment is eventually integrated into the national life, Mexico's market for industrial products should expand materially. This expansion should also be aided by the expected addition of some 12

million customers to the present Mexican population of 33 million during the 'Sixties.

It is, in a way, unfortunate that the majority of the 800,000-or-so Americans who now visit Mexico annually, tend to bring home a somewhat slanted view of our southern neighbour. Many of them merely visit border towns, which are glorified honkeytonks. Some of these cities, however, like Tijuana and Mexicali—each with a population of 150,000—have attracted an amazing number of industrial and commercial establishments.

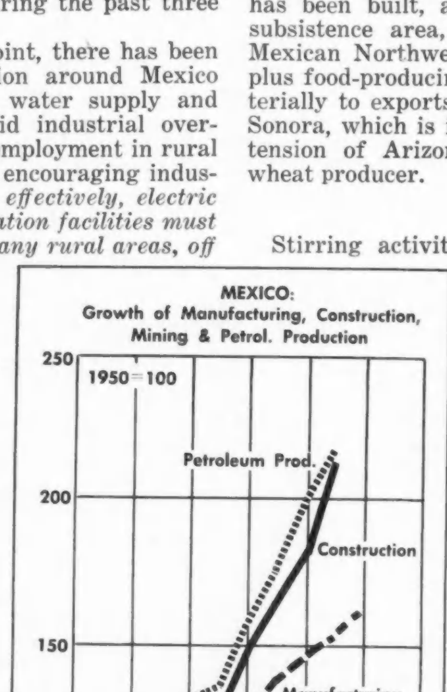
Other American tourists concentrate on Mexico City, Acapulco, and such "national monument" cities as Taxco and San Miguel de Allende. Greater Mexico City, with its population of almost 5 million, is one of the true metropolitan areas of the Western Hemisphere. Its towering skyscrapers, its modern residential areas, its University City, and its sprawling industrial suburbs are a living monument to Mexico's accomplishments during the past three decades.



But from the Mexican viewpoint, there has been excessive industrial concentration around Mexico City, overtaxing its industrial water supply and other public facilities. To avoid industrial overcrowding and to mitigate underemployment in rural areas, the authorities have been encouraging industrial dispersion. *But to do this effectively, electric power generating and transportation facilities must be improved. This means that many rural areas, off the beaten tourist path, are in for a greatly quickened tempo of changes.* One of these areas is Mexico's Pacific Northwest.

The Northwest — The Fastest-Growing Area

A few months ago, when I had the opportunity to revisit Mexico, I decided to pay a flying visit to this area which is supposed to be the fastest-growing section of the country. The Mexican Pacific Northwest includes the States of Baja California, Sonora, Sinaloa, Nayarit, Chihuahua and Jalisco with a combined population of about 5½ million—more than double what it was in 1940. It stretches some 1,500 miles from the California border to Guadalajara, the second largest city of the Republic (well over 500,000) and one of the foremost industrial centers.



The area is served by the Pacific Railway and the Pacific Highway, the latter having been opened for through-traffic about five years ago.

The Mexican State of Baja California is the most rapidly growing of the lot, its population having increased six-fold during the last two decades. It is a playground for ever-growing numbers of vacationers from neighbouring California, U.S.A. Where water can be brought to the parched soil, as in the areas bordering our own Imperial Valley, Baja California has developed flourishing cotton, vegetable (tomatoes), and fruit (olives) growing industries, all of which are important factors in the diversification of Mexican exports.

The building of dams and irrigation works has transformed many sections of the broad plain stretching along the Gulf of California. Nearly 2½ million acres have been brought under irrigation there during the last few years, a network of roads has been built, and ports developed. Formerly a subsistence area, barely able to feed itself, the Mexican Northwest has become an important surplus food-producing area, and even contributes materially to exports (cattle, tomatoes). The State of Sonora, which is in many respects a southward extension of Arizona, is now the leading Mexican wheat producer.

Rolling South

Stirring activity is evident everywhere as one rolls south over the Pacific Highway from Mexican Nogales, a sizable border town, to Hermosillo (over 80,000), the capital of Sonora, with its innumerable repair shops servicing American farm and mining equipment, as well as fertilizer and insecticide factories. The next large city, Guaymas, is one of Mexico's leading fishing centers, with large shrimp-freezing plants.

Farther south, the highway skirts the cities of Obregon and Navajoa, each with about 80,000 people, in the midst of a vast area planted with rice, sugar cane, tomatoes, alfalfa, and citrus fruit. This particular region reminds one of California rather than Mexico. Another rapidly-growing agricultural and industrial center is Culiacan (some 75,000), and finally Mazatlan, a great port

Foreign Investments in Mexico

	Overall Foreign Investments (Million of dollars)						U.S. Direct Invest.			
	Manufacturing	Utilities	Commerce	Mining	Others(a)	Total	Total	Earnings	New Cap.	Reinvestment
1938	26	140	16	128	146	456				
1945	85	137	38	163	161	456	584	286		
1950	148	137	70	112	99	566	415	44	25	15
1952	225	160	116	160	68	729	490	61	10	29
1953	258	173	117	165	76	789	514	47	7	17
1954	278	189	116	163	88	834	524	45	14	(—4)
1955	315	204	119	171	110	919	607	64	51	34
1956	363	213	180	189	115	1060	690	80	28	46
1957	413	231	218	211	127	1200	765	77	39	36
1958							781	69	(—12)	27

(a)—Oil, agriculture, construction; communication.

in a tropical setting.

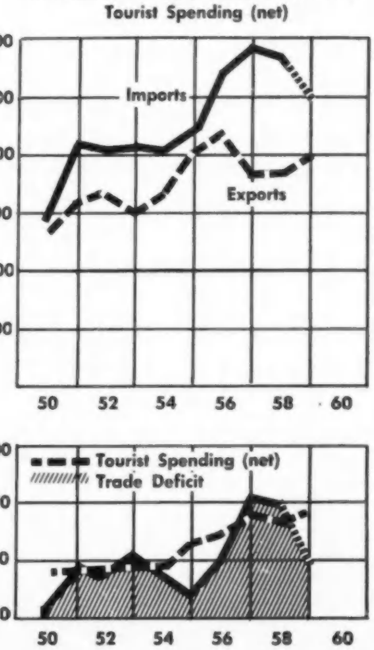
From Mazatlan the great Pacific Highway turns inland to its southern terminus, Guadalajara. Eventually the highway is to be extended along the coast to the ports of Vallarda and Manzanilo and on to Acapulco. This is a coast with splendid beaches, fine scenery, and a wonderful winter climate, where hundreds of Acapulco-like winter resorts could be developed. Indeed, American and Mexican capital is already reported taking options on large stretches of this "Mexican Riviera", in anticipation of the days when winter vacationers and retired people can no longer be inexpensively accommodated in Florida and the Caribbean spas. But even if vacationers from the North fail to materialize, there is a possibility that the growing Mexican middle class will come to enjoy their western seacoast. Incidentally, Mexican passenger car ownership stood at 375,000 at the end of 1958, having more than doubled in less than a decade.

Industrial Cities of the "Bajio"

The road from Guadalajara northeast, toward the U.S. border, passes through another rapidly-growing industrial region, the "Bajio." There is an extensive depressed plain right in the middle of the great central plateau, surprisingly rich agriculturally, but dreary from the tourist viewpoint. This vast plain is interspersed with rapidly-growing industrial cities—Iraquato, Celaya, Leon, Gueretaro, and Dolores Hidalgo — each with a population of from 50,000 to 100,000.

A great many American corporations have subsidiary plants in this area. There is a huge oil refinery near Salamanca connected by pipeline with the rich Poza Rica fields in the State of Vera Cruz. One sees modern plants of Mexican agricultural cooperatives, processing all kinds of food products. This is also one of the areas which benefit from industrial dispersion.

MEXICO: Merchandise Trade, Trade Deficit and Tourist Spending (net)



Old Growth Momentum Resumed

The impression that one brings home from Mexico is simply this: the country has more confidence in its future than it has had for some time. Business is good and industrial production during the first eight months of this year is up at least 7 per cent from last year's level. The country is planning a huge expansion of the petrochemical industry and extensive public works—new highways and new hydroelectric plants. In general the old momentum of vigorous economic growth seems to have been restored.

All this is in sharp contrast with the situation two years ago, when Mexico faced a somewhat uncertain future. A serious imbalance developed in its international payments in the summer of 1957, resulting in a drain on gold and foreign exchange reserves. Some of the unfavorable factors were beyond Mexico's control: the drop in commodity prices that followed the Suez crisis, and the oncoming recession in the United States. Both of these developments cut into Mexico's foreign exchange earnings from merchandise exports and tourist trade. At the same time the country was under pressure to import more food because of a succession of poor harvests. Other imports were high too, reflecting the large public works program and booming private investment activity, financed largely by bank credit. With wages and costs rising, and a presidential election ahead, the Mexican peso became subject to all kinds of rumors. A capital flight was set off, adding to strains on the balance of payments. *(Please turn to page 375)*

An Expert Appraises 1960 Outlook for THE AUTOMOBILE INDUSTRY

By HAROLD FISHER

- **Dollars-and-cents effect of steel strike on each of the Big 3 . . . Outlook for production and sales in 1960**
- **Can American Motors retain its current strength . . . and Studebaker-Packard hold its surprising gains when the Big 3 swing into full production?**
- **Who is likely to be the winner in the small car field under domestic and foreign competition?**
- **Earnings-dividend position and outlook for the individual companies**

A full-scale test of the demand for auto industry's 1960 model cars has been postponed by the shortages of steel and of new cars resulting from the 114-day steel strike which ended Nov. 7.

If the strike had not occurred, a clue would have been obtained by this time of the depth of the demand for the new compact cars offered by General Motors, Ford and Chrysler. Some general estimate would have been available as to the extent to which these new small economy cars would cut into the demand for the larger cars made by the Big Three of the auto industry—such standard-size cars as the regular Chevrolet, Ford and Plymouth, and the various medium priced cars of the major producers.

Advance estimates had indicated that a demand would exist in 1960 for about 1.7 million compact cars—General Motors Corvair, Ford's Falcon, Chrysler's Valiant, American Motors' Rambler, and Studebaker-Packard's Lark. But the validity of those estimates will not be tested until car production rises to high levels and until dealers are able to accumulate a normal thirty-day inventory of the new compact cars. It is likely that either because of production problems, or because of the keen demand, that dealers will not be able to build up a normal inventory of compact cars at any time in the first half of next year. Hence, it will be difficult to appraise the full impact of the compact cars on the auto market for several months at least. It will not be possible to tell to what extent, if any, the medium priced cars will find their demand shrinking, nor will it be easy to ascertain to what extent the established compact car brands of American Motors and Studebaker-Packard will be affected by the new Big

Five Leading Automobile Manufacturers

	Net Sales 1957 (Millions)	Net Sales 1958 (Millions)	Earnings Per Share 1957	Earnings Per Share 1958	1st 9 Months Net Sales 1958 (Millions)	1st 9 Months Net Sales 1959 (Millions)	1st 9 Months Earnings Per Share 1958	1st 9 Months Earnings Per Share 1959	1959 Div. Per Share *	Price Range 1958-1959	Recent Price	Div. Yield %
American Motors **	$ 362.2	$ 470.3	d. $ 2.12	$4.65	$ 470.3[1]	$ 869.8[1]	$4.65[1]	$10.16[1]	$2.40[2]	96⅞- 8	85	2.8%
Chrysler	3,564.9	2,165.3	13.75	d 3.88	1,486.1	1,964.3	d 5.18	2.73	1.00	72⅝-44	64	1.5
Ford Motor	5,771.3	4,130.3	5.19	1.75	2,682.9	3,991.2	.02	6.19	2.80	85¼-37⅜	79	3.5
General Motors	10,989.8	9,521.9	2.98	2.21	6,744.2	8,857.1	1.39	2.55	2.00	58⅞-33¾	52	3.6
Studebaker-Packard	213.2	180.6	d. 1.73	d. 2.03	92.0	284.9	d. 3.50	2.40	—	29¼- 2⅞	21	—

*—Based on latest dividend rate.
d—Deficit.

1—Year ended September 30.
2—Plus stock.
**—3 for 1 stock split proposed subject to approval of stockholders Feb. 3, 1960.

American Motors: On current profitable basis, aided by appliance division. Faces keen 1960 competition. 3 for 1 stock split proposed by directors. **B1**

Chrysler: Steel strike adverse to 1959 operations. If settled could multiply 1960 Valiant output, but company faces tough competitive market. **B1**

Ford Motor: Own steel supplies enabled company to get jump on GM and Chrysler. 1959 earnings are outstanding and outlook for 1960 is promising. **A1**

General Motors: 1959 car production considerably below normal output. Outlook hopeful for 1960, barring further strike. Strong trade position and diversification point to mantenance of leadership. **A1**

Studebaker-Packard: Company's status still unproved in competitive market, and current high earnings subject to dilution by large issue of convertible Preferred. **C1**

RATINGS: A—Best grade. B—Good grade. C—Speculative. D—Unattractive. 1—Improved earnings trend. 2—Sustained earnings trend. 3—Lower earnings trend.

Three competitive cars.

Before the strike made its full effects felt, it was already clear that the new compact cars were enjoying a most successful introduction. Public interest in the cars was strong. Floor traffic in dealers' showrooms was heavy, and a record-breaking fourth quarter appeared to be shaping up.

The steel strike has converted 1959 into a disappointing year for General Motors and Chrysler. But it has enabled American Motors and Studebaker-Packard to solidify their position in the industry. For Ford, the strike was a mixed blessing—this company lost some production as a result of steel shortages, but its possession of its own steel plant enabled it to keep car and truck output at a relatively high level, and thus edge Chevrolet out of its top-ranking position for 1959 as a whole.

The shortages of steel resulting from the July-November shutdown of the major steel plants will mean subnormal auto output at least until February. If the steel strike is not resumed at the end of the 80 day Taft-Hartley injunction, late in January, all of the auto and truck producers should go on to a rather satisfactory season.

Auto production is being resumed this month by General Motors and Chrysler. But output will not go above 450,000 cars, whereas if there had been no steel strike, at least 650,000 cars would have been produced in December. In all, steel shortages have cost the auto industry the production of 700,000 cars in the fourth quarter—100,000 in October, 400,000 in November, and 200,000 in December. Instead of producing 6.2 million cars this year, the total will be only a little over 5.5 million. This is still a good gain over the 4.2 million cars produced last year. But for General Motors and Chrysler, which sustained nearly all of the production loss in the fourth quarter, earnings for the year will be well below what might have been expected.

The reduced production has meant lower total retail sales than had been expected in the fourth quarter. The industry had just launched its heavy advertising program in behalf of the 1960 models when the strike caused production cutbacks. The advertising and promotional program was sharply reduced when steel shortages made their effects felt. Dealers, with low stocks of 1960 model cars, have dropped sharply competitive selling methods, and instead have been seeking a full mark-up on new cars. They have been getting prices well above what they would normally realize at this time of the year. Under these conditions, many buyers have preferred to postpone their purchases until dealers will be willing to offer substantial discounts on 1960 model cars.

Production and Sales Looking to 1960

Hence, it is hoped that at least part of the production and sales lost as a result of the steel strike will be translated into larger volume in 1960. The factors which point to a favorable year in 1960 include the following:

► The new 1960 models—particularly the compact cars offered by all of the manufacturers—had received an excellent reception before the steel shortages curtailed volume. Total sales in October had been running well ahead of the same month of 1958, and it is likely that this performance would have been continued, if materials had remained in normal supply.

► While economic activity is at a higher level than it was in late 1958, and this normally means higher car sales, although shortages of new cars will tend to restrict car sales for several months.

► The introduction of new compact cars by the Big Three apparently will result in a "plus" market for the auto industry. Some sales of medium priced cars may be lost because buyers will switch to compact cars, but on balance, the offering of smaller cars in a lower priced category may add a net total of several hundred thousand cars to the auto industry's output in 1960. (But what it will mean in terms of profits is another matter.)

► Dealer inventories are at an extremely low level, and these will have to be built up through the first half of 1960. Dealer stocks Dec. 1 were well under 400,000, compared with 976,000 on Aug. 1, 1959, and they may be still lower on Jan. 1,

1960.

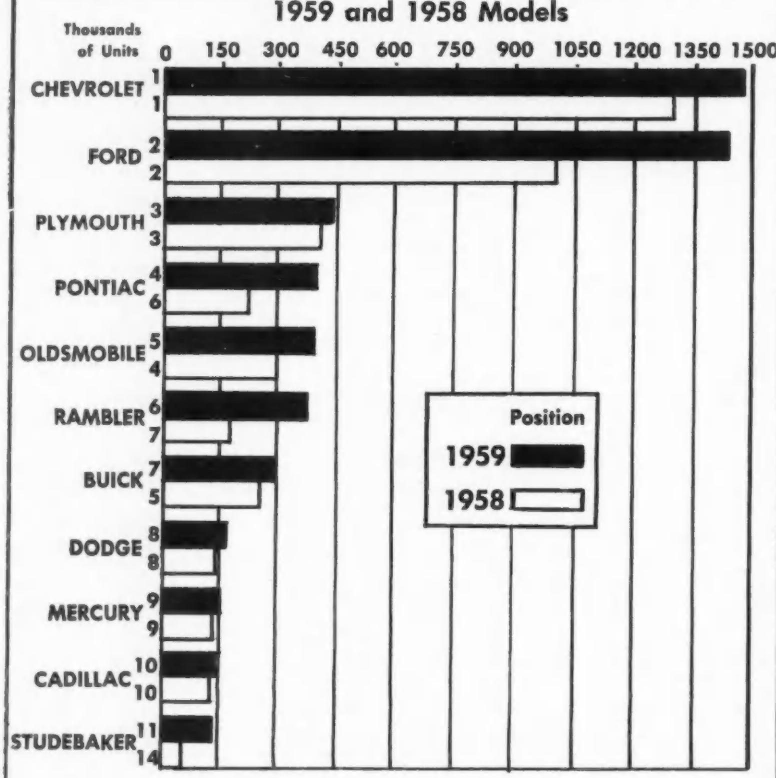
The auto industry, for the first time in several years, has held the line on prices for 1960, to stimulate sales. This move was based on expectations that the steel industry would be able to make a non-inflationary settlement. If steel prices go up sharply, auto prices, too, may have to be raised. But at the moment, it appears that steel prices will not be raised in the near future, and that auto prices, too, are set for the next year. As a result, domestic cars are able to offer stronger competition to foreign cars, as well as to other discretionary purchases.

If the auto industry achieves the optimistic forecast of a 7 million car year in 1960, this would make it the second best year on record. In 1955, when 7.2 million cars were sold, the all-time peak was set. It is now generally conceded that 1955 was a year of heavy over-production.

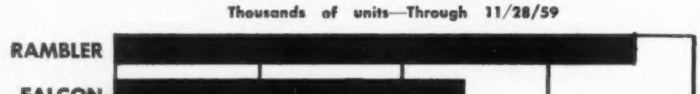
Sales Outlook

Many potential car buyers have postponed new vehicle purchases for two years or more. In 1958, domestic car sales were far below normal—totaling only about 4.5 million—because of the general business recession. In 1959, part of this deficit would have been made up, if the industry had been able to make the 6.2 million cars which had been projected. Hence a strong potential demand has been built up for 1960. With the broadened product line offered by the vehicle makers—including four new compact cars and at least one more to be offered early next year—there is every hope that this demand will be translated into top sales, if the steel plants remain in production.

PRODUCTION OF LEADING U. S. PASSENGER CARS
1959 and 1958 Models



1960 Model
Output of U.S. Compact Cars
Thousands of units—Through 11/28/59



The Independents vs the Big Three

The results for 1959 show that the two leading independents, **American Motors** and **Studebaker-Packard**—are strongly back in the running. As the first producers of compact cars in this country, they have been enjoying good consumer acceptance for their products such as has not been won by an independent company in over thirty years.

But it must not be overlooked that if the steel strike had not occurred, American Motors and Studebaker-Packard would have met considerably tougher competition. General Motors was able to make a paltry 57,000 Corvairs, up to Dec. 7. It was forced to suspend assembly of these new cars on Nov. 11. General Motors, ever since its introduction of the Corvair early in October, was prevented from building up production schedules. The very favorable reception accorded this car by the public would have warranted a sharp increase in production, but this was blocked by the steel situation. Next year, if enough steel is available, Corvair output may total 400,000 units.

Similarly, Chrysler has been able to make only 8,500 new compact Valiant cars, up to Dec. 1. It would have made several times as many, if it had not run out of steel. Valiant will be aiming for output of 250,000 units in 1960, but steel shortages may be the big obstacle.

Ford, with about 60,000 new compact Falcons produced up to Dec. 1, has fared better than the other members of the Big Three, because it was able to use supplies from its own steel mill. But even Ford could have made many more Falcons, if steel had been in plentiful supply. Next year, Ford

(Continued on Page 378)

Note. For your information, and in accordance with P.O. regulations, the following announcement runs on pages 355 through 358. The next succeeding editorial page is 359.

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1960 EARNINGS-DIVIDEND OUTLOOK FOR THE UTILITIES

★ —An analysis in depth

By Owen Ely

This outstanding appraisal deals with the various utilities in three distinct categories—their divergent conditions regionally—which companies are in a growth position—those likely to lag—changes in rate structures—legislation—financing—and, importantly, *utility investments in a changing money market.* Earnings-dividend potentials will be carefully evaluated, with pertinent comments, text and tables on the current position and 1960 outlook for the individual companies.

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By J. C. Clifford

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—Which are in the best position

By Robert B. Shaw

Although greatly depressed—settlement of rail strike (now considered highly probable) will create real profit opportunities in specific rails. This feature weighs the prospect for settlement of the various rail problems—the improving trends in many directions—and calls attention to particular rails we believe could considerably improve their earnings position and make progress in 1960—those to remain static—and others that will continue their downward trend.

2 Excellent Companies in New Growth Phase

By William F. Redmond

These are two very interesting companies. *One* has little competition in a special field —must continue to have a strategic position in defense, among other important advantages. The *second* company, although occupying a top position in its field, diversified successfully and most profitably in new fields. Earnings-dividend potentials are carefully evaluated — with text and tables on current position.

WHICH D JST OFFER BEST PR SP CT

★

By Geo W. Mathi

Varying Outlook for Major Industries— th our prospects. In a practical manner we will eigh on recession vs. growth . . . the new produc nd indu ones. We will tell you clearly which ind ries are —which will record improvement over 959—wl growth prospects for 1960 . . .

—Rails	—Tobaccos	—Li rs
—Oils	—Building	—Me
—Foods	—Utilities	—Mo
—Motors	—Chemicals	—Te es

Gauging 1960 Company Pro ects b Order Backlogs–New Orders– vento

By Ward Gates

Of all the indicators of economic acti y, prob nothing gets to the heart of the matter uicker a good look at new orders—inventori —and b logs of unfilled orders. In this down-to- rth ana we give you a realistic picture of the st s of th dividual companies—to show where cklogs new orders are high—and where they re run behind . . . in a way that indicates th contra earnings-dividend outlook for the co panies.

An Analysis in Depth of the Three Presidential Message

State of the Union—Economic—Budg — Revamping of Entire Tax Structure

By Wm. E. Butler

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By Geo W. Mathis

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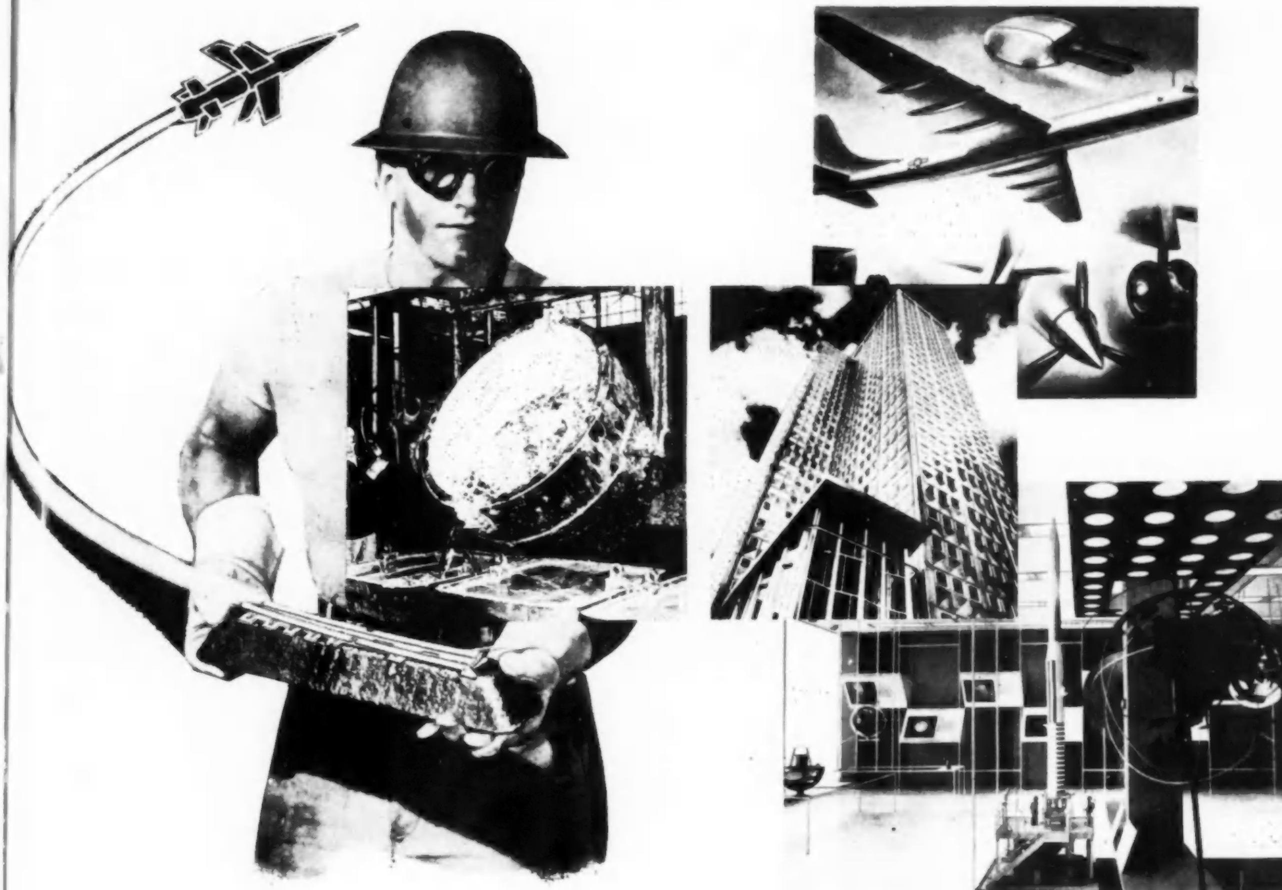


CHASTENED ALUMINUM

– Problems from Overcapacity, Slackened Demand, Price Uncertainties, Foreign Competition, Confront Industry

By WILLIAM F. BOERICKE

THE outlook for aluminum when this year opened, was cheerful and this optimism steadily increased until July, with the operating rate mounting from 82% at the end of 1958 to over 90% at mid-year, with one producer at 100%. Mill shipments in July totalled 186,500 tons. Trade forecasts were all on the bullish side.

Since then sentiment has veered the other way, and it looks now that, like the proverbial month of March, the aluminum industry, after coming in like a lion, wil bow out like a lamb, and quite a subdued lamb at that. The unpalatable figures tell their own story. September shipments of sheet and foil, the big tonnage products of the industry dropped to 63,000 tons. They had been 100,000 tons in July, and were well under the nine months average of 75,000 tons a month. The chances are they will make little or no improvement in the final quarter.

It still adds up to a big year for the industry, with production of primary metal exceeding 1,900,000 tons, which would comfortably exceed last year's total of 1,566,000 tons.

But the monthly production rate is declining. October showed 173,760 tons for the month and is likely to drop to 155,000 tons for November and December as compared with an average of 185,000 tons a month in the second quarter when there was heavy inventory buying in anticipation of a strike. Plant inventories which had declined to 80,000 tons in July had climbed to 120,000 tons in October. It was evident that consumption was not

keeping pace with production. Earlier estimates of demand had to be revised downward. That the producers took a realistic view of the situation is shown by the reduced operating rates put into effect last month.

Problems of Overproduction

Late in November, **Kaiser** announced it was cutting another smelter line at its Mead, Washington plant, with only five of its eight lines operating. This reduced its operations to 76% of capacity. Earlier in the month **Reynolds** had cut back to 81%, from a previous 91%. **Alcoa** was still operating at 82%, but it had not stepped up production before.

Reasons ascribed for the cutback were detailed by Reynolds as follows: its customers are now no longer building inventories and the company has restored its own. Deliveries to the Government stockpile are ending. And the long drawn out steel strike led to some slackening of demand from consumers who needed both steel and aluminum for their products. No doubt the same things affected the other producers.

At the base of the difficulties is present overcapacity. The industry is overbuilt. This may have been the right thing to do from a broad future view. It was not so many years ago that aluminum was definitely on the scarce list of metals and the aim of the industry was never again to be placed in a position to refuse its metal to a willing customer. With this in mind, the industry undertook three major rounds of expansion since World War II, with the last one in process of completion just as the 1958 recession hit. At present, U. S. capacity for production of primary aluminum is 2,335,750 tons a year, with an additional 269,000 tons under construction. Consequently, present production is only about 84% of installed capacity, and about 76% of planned capacity.

New Foreign Expansion Planned

Fully to appreciate these figures, some comparison is needed. Since 1950, in only nine years, aluminum reduction capacity in U. S. has more than tripled. Its expansion, prodded by the Government during the Korean war, is unparalleled in the history of any other metal.

Nor is this growth confined only to the United States. A representative of Aluminium Ltd. declared that in 1961 total world capacity may be expected to amount to 5,600,000 tons as compared with the current estimated 4,500,000 tons. In *Canada* the increase will be 90,000 tons. Output is increasing in *Italy* and *France*, *Hungary* and *Germany*. *Russia* has the most ambitious program of all for aluminum expansion under Khrushchev's 7-year plan, which demands that the U.S.S.R shall become the world's largest producer, with a target of 3,250,000 metric tons by 1965. Unlikely to be achieved in that time, we might add, but even half of it would more than double Russia's present output.

This by no means represents all the expansion of production abroad that is considerably beyond the blue print stage. *Africa*, as might be expected because of known presence of huge bauxite deposits, which appear indigenous to the tropics, plus abundant undeveloped water power, is the favored locus for new aluminum output—fortunately definitely in the future. Up the Congo River, 125 miles from tidewater, construction of a 1.5 million kilowatt generating station is going on, to be completed in 1965, and its special objective is aluminum production from rich bauxite deposits. Cheap hydropower is expected to cut production costs about 10% under present average world costs. Other projects in which American, French, and British capital are interested are planned in *Ghana*, *French Equatorial Africa*, and *Guinea*. *Completion of these projects could boost world's aluminum capacity by one million tons by the mid-60's, assuming of course, no political difficulties and other imponderables.*

These facts are generally known to the trade and relieve any fear of a shortage of aluminum in the foreseeable future. Consequently, there is no

Leading Companies in the Aluminum Industry

	Net Sales 1957 (Millions)	Net Sales 1958 (Millions)	Earnings Per Share 1957	Earnings Per Share 1958	1st 9 Months Net Sales 1958 (Millions)	1st 9 Months Net Sales 1959 (Millions)	1st 9 Months Earnings Per Share 1958	1st 9 Months Earnings Per Share 1959	1959 Div. Per Share *	Price Range 1958-59	Recent Price	Div. Yield %
Aluminium, Ltd.	$385.6	$357.8	$1.37	$ .74	$318.6	$317.5	$ .59	$ .50	$ .50	39⅛-26	31	1.6%
Aluminum Co. of America	869.3	753.1	3.55	1.96	570.7	643.0	1.50	1.88	1.20	115¾-60⅜	101	1.1
Kaiser Aluminum & Chemical	391.6	408.5	1.59	1.43	306.1	323.1	1.06	.77	.90	65 -23	47	1.8
Reynolds Metals	446.5	445.5	3.28	3.25	333.1	366.2	1.59	1.61	.50	81⅞-21½	62	.8
U. S. Foil Co. (Cl. B.)**	3.3[1]	3.5[1]	.35	.33	1.3[2]	1.3[2]	.19[2]	.20[2]	.40	52⅛-13⅜	41	.9

*—Based on latest dividend rate.
**—Owns 48% of Reynolds Metals.
N.A.—Not available.

1—Total income.
2—Total income for 1st six months.

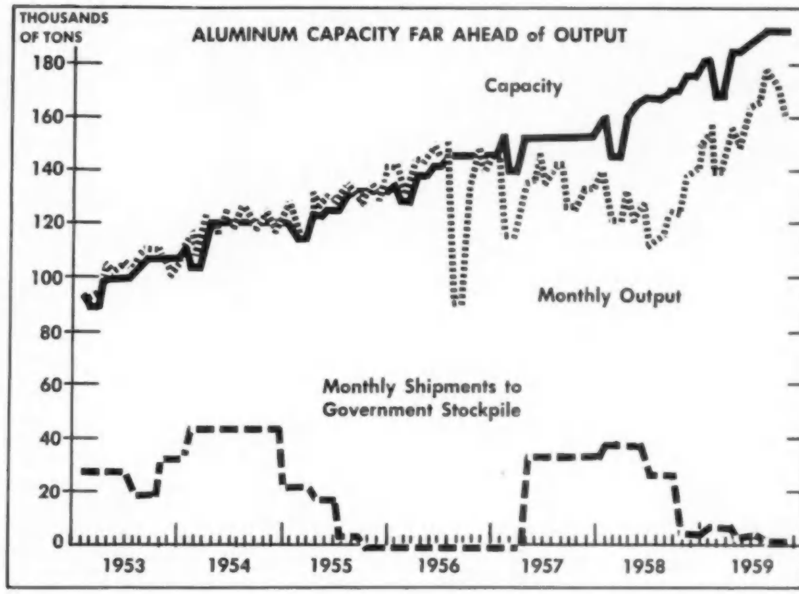
Aluminium Ltd.: Only major aluminum producer now increasing output of primary metal. Making strong drive to strengthen position in fabricating field. Earnings expected to show marked gain in 1960.

Aluminum Co. of America: World's largest producer, completely integrated. Increasing efforts to enter foreign markets. Has long range appeal.

Kaiser Aluminum & Chemical: Expects increase in both sales and profits in 1960. Accounts for about 25% of U.S. aluminum capacity, and 20% of over-all U.S. sales. Large stock interest held by Kennecott Copper.

Reynolds Metals: Highly aggressive aluminum producer, "ready, willing, and able" to meet any competition. Ranks next to Alcoa in U.S. sales. Profits in 1959 make best comparative record in industry.

U.S. Foil: Principally a holding company, owning about 48% of Reynolds Metals' stock. Will continue to move in line with the latter issue.



urge to stockpile the metal or unduly to build up inventories. True, there was heavy buying in the second quarter in anticipation of an aluminum strike which did not materialize. Producers' inventories, which stood at 145,000 tons at the start of the year were whittled down to 80,000 tons in July. But with production virtually assured while the steel strike continued, buying declined by aluminum consumers and producers' stocks began to climb. By the end of October they climbed 50 per cent. Production cutbacks became almost mandatory.

Costly Cutbacks

Cutting back production is a costly procedure for aluminum producers. Unlike producers of other metals, labor is not a dominant cost factor. Power counts heavily—roughly about 10 kilowatt-hours per pound of aluminum are used for the heavy currents needed for conversion of alumina to aluminum. Merely pulling the switch doesn't save 100% of the electric bills and a demand charge must often be paid even when a plant is shut down. Salaries and local taxes go on. But the one inescapable item is the need to meet interest and amortization charges on enormous capital expenditures in plant and equipment initially required to get into production. These continue relentlessly whether operations are halted or not, and might amount to two cents per pound of installed capacity. Fixed charges per pound, including demand charges for power, maintenance, depreciation, interest and amortization, might well exceed 5 cents a pound. For a marginal operation it requires close figuring to decide whether to run at a calculated loss or to suspend at a real loss.

In 1957-8 the aluminum industry was aided by puts to the Government stockpile. These were for substantial tonnages. Last year the stockpile took 323,000 tons or over 20% of the primary production. This year it's only 48,000 tons, and its the bottom of the barrel. At least there's this consolation, that virtually all of the present demand is going into actual industrial consumption.

Costly Foreign Competition

Then there is the matter of foreign competition. While the industry enjoys tariff protection, this has not been sufficient to keep out imports of semi-fabricated mill products. Imports from Europe and Japan have doubled, and while the total amount, only 6% of total U. S. consumption, appears small, its impact on the market is pronounced. *It appears likely that when the Seaway has its first full season in 1960, that the impact will be felt even more. Any relief from Congress in raising tariffs seems far removed. The attempt has already been made and received scant consideration in Washington.*

The bogey of Russian aluminum appears more fancied than real at present. Advices from London disclose that Soviet metal was virtually unobtainable at the start of December. What little there was to be had was getting full prices. This is not surprising. While there is little doubt, as was pointed out, that future production from the Soviet zone will be large, it is unlikely to come on the market with any serious impact for several years. *Quite to the contrary, it is probable that Russia will require all its own production for domestic needs, particularly if its widely announced program for increasing output of consumer goods is really implemented.*

The unhappy recollection of how sales of Russian aluminum broke the market 2 cents a pound in early 1958 dies hard. Russian sales at that time are better explained by need to obtain foreign credits to aid in the fast developing Sputnik program and the hard-headed realization that the future of global warfare would be determined less by planes for which aluminum was essential as a structural material, and more by missiles, in which aluminum was less needful. Once rid of a then apparent surplus of the metal, the pressure was off, and an agreement was readily made with the British Government limiting the amount of aluminum that would be offered in the United Kingdom.

Unhappy Competition For Fabricators

It has been no secret that while prices for primary aluminum have remained undisturbed since August, 1958, when a 0.7 cent increase was instituted by the three domestic producers, there has been a lot of unsettlement in semi-fabricated and fabricated products, to the intense distress of the independent fabricators, who have had to buy their raw metal from the big integrated producers, and at the same time to compete with them in sale of end products.

This was brought to a head in late October, when Alcoa introduced *(Please turn to page 380)*

Our Answer to Subscribers Inquiring on . . .

HOMESTAKE MINING COMPANY

— As an Inflation Hedge

- **Position of the company compared to other U.S. gold mining properties — Canadian and South African gold stocks**
- **Question mark regarding near term possibility of gold at $50 an ounce**
- **Homestake as an investment with a speculative plus**

By NORMAN SCHIFF

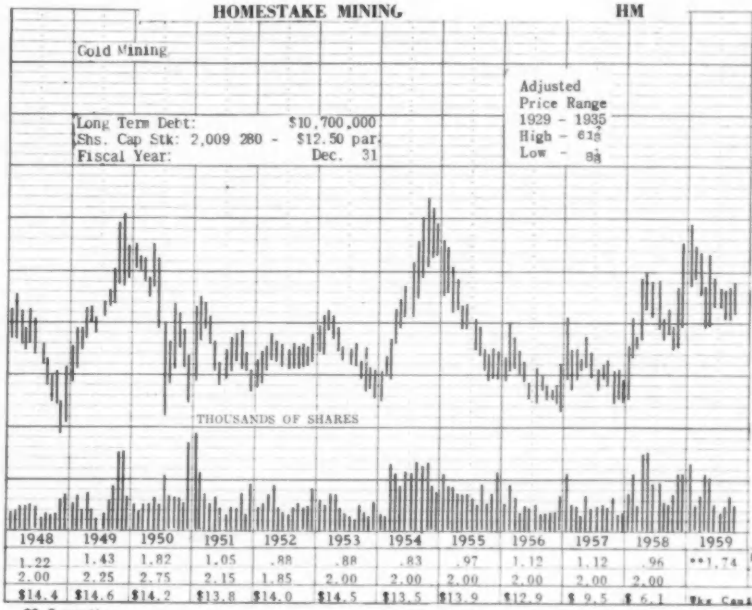
AN 83 year active life span is a worthy accomplishment for an industrial corporation, but for a mining company, working the same orebody almost continuously, such a lengthy existence is an incredible achievement. Indeed, on the North American continent it is an event of unparalleled distinction. On April 15th, next, Homestake Mining Company will have achieved this distinction.

The company first tied its fate to gold during the famous Black Hills rush of 1874 and has been riding the fortunes of the noble metal ever since. The trip has been a rocky one, traversing three major wars, five national financial crises, six periods of booming inflation and an international monetary upheaval. Yet throughout this entire span, dividends were interrupted only during World War II, when the mine was closed by order of the War Production Board, and at four other occasions between 1878 and 1920 due to labor or other temporary difficulties.

The Beginnings

It was an eventful era in which the Homestake was born. The Dakota Territory was a prime piece of Indian real estate around the 1870's and the Black Hills, in its south west corner, was the choicest lot in the parcel. The Sioux tribes under Crazy Horse, Gall and Red Cloud, the ablest War leaders in the entire Mississippi Valley and under the administration by that incomparable Medicine Man, Chief Sitting Bull, made life miserable for the hordes of white fortune hunters passing through their hunting grounds on the way to the gold fields of Idaho, Montana and Nevada. To prevent a full scale Indian war and to protect the lives of determined prospectors, the Army dispatched a large

force into the area under General George A. Custer. Among these men, was a miner-guide, who, on a routine reconnaissance mission, in the summer of 1874, stumbled on some gold flakes on the bottom of a near-by creek. A report of the find was sent to Army headquarters at St. Paul which received it on August 11th.



** 9 months

The Gold Rush

The papers the next morning told of the gold discovery in the Black Hills and the rush was on. This served only to heighten the pitch of Indian war fever, and, in one of history's best known massacres, they completely wiped out General Custer's command on the Little Big Horn River. Nothing, however, could stop the rush. To a despairing American population, still suffering from the effects of the 1873 financial crisis, the new gold find was a ray of hope and, by the thousands, they rushed into the Territory.

Every gold rush had its share of excitement and chaos and this one was no different except perhaps for its above average collection of colorful characters, headed by Calamity Jane and Wild Bill Hickock. But there, as in all others, only a handful struck it rich. The streams were eventually panned clean and the prospectors, true to the habits of their trade, pocketed their rewards and left the Hills in search for bigger and better deposits elsewhere. With the initial excitement over, a permanance set in and from that point onward, the history of the Black Hills revolved around the story of the Homestake Mine.

Founded Hearst Fortune

History generally dates the first Homestake claim at April 9, 1876. A year later, a San Francisco syndicate, headed by George Hearst (whose son, William Randolph, was later to found a newspaper dynasty) exercised an option and bought the Homestake and Red Star claims for $180,000. On April 15 of the same year, the Homestake Mining Company was incorporated in California, and its 100,000 issued shares was admitted for trading on the San Francisco Mining Exchange at $2 each. Within eight months after incorporation, a stamping mill with a crushing capacity of 120 tons of ore per day was installed at a cost of $100,000 and the company was on its way. Homestake produced $1 million worth of gold, paid its first dividend and saw its stock soar to $34 a share, while still in its first year of operations.

Effect of Fixed Price of Gold

The big bug-a-boo in the bullion business has always been the fixed nature of the metal's price. From the $20.67 pegged price, under the gold

Long Term Operating and Earnings Record

	Total Sales	Deprec. & Depletion	Operating Income	Income Taxes	Net Income	Net Profit Margin	Net Earnings Per Share [1]	Percent Earned On Invested Capital	Div. Per Share	Price Range High Low
	(Millions)									
1959 (1st 9 months)	$20.0	$—	$—	$—	$3.5	17.5%	$1.74	—	$2.00[2]	49¼-39⅝[3]
1958	21.9	.9	4.6	1.4	4.1	18.7	2.05	14.4%	2.00	47¾-32¾
1957	20.2	.7	4.1	1.3	4.2	20.8	2.10	14.8	2.00	40½-32⅛
1956	20.5	2.6	3.2	1.5	2.4	12.0	2.19	8.7	2.00	40 -31¼
1955	19.4	3.0	2.3	1.5	1.9	10.0	2.17	6.9	2.00	48 -34⅜
1954	19.8	3.4	2.9	1.6	1.6	8.4	2.23	6.1	2.00	52 -33½
1953	19.7	3.4	3.3	1.8	1.7	9.0	2.27	6.5	2.00	41⅜-32⅞
1952	17.5	3.0	3.3	1.8	1.7	10.0	2.11	6.6	1.85	39 -33⅝
1951	16.6	2.9	3.8	2.0	2.1	12.6	2.22	8.1	2.15	42¾-33⅜
1950	20.3	3.4	6.2	2.9	3.6	17.9	3.26	14.2	2.75	47⅞-31
1949	16.9	2.8	4.5	1.7	2.8	16.9	2.60	11.6	2.25	50⅝-34¼
10 Year Aver. 1949-1958	$19.2	$2.6	$3.8	$1.7	$2.6	13.6%	$2.32[1]	9.7%	$2.10	

1—Before depletion.
2—Total 1959 dividend.
3—To 12/2/1959.

standard as it functioned before 1914, to the current $35 price, the basic economic reality in gold mining has never changed. In gold, contrary to other industries, there is always a ceiling; it's the floor that keeps moving up and down creating losses or profits. Since World War II, the floor has moved steadily upward and during this time, the operation of a gold mine in North America has hardly been worth the effort. In Canada, a federal subsidy in the form of the Emergency Gold Mining Act of 1948, has been necessary to keep more than ¾ of the country's gold mines in production! In the U. S. diversification was more the answer. Natomas Company is now shipping freight via its interests in American President Lines; Yuba Consolidated is turning out expansion joints, heaters, condensers and other industrial equipment and Alaska Juneau has been renamed A. J. Industries, to keep it more in line with its current activities.

Homestake Alone Concentrated on Gold Mining

In a land rich in the history of gold, Homestake remained the only major mine earning a living from that metal.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1957	1958	Change
	(000 omitted)		
ASSETS			
Cash & Marketable Securities	$10,592	$ 7,524	—$3,068
Accts. & Int. Rec.	594	582	— 012
Bullion	766	896	+ 130
TOTAL CURRENT ASSETS	11,952	9,002	— 2,950
Net Property	10,663	12,091	+ 1,428
Invests. In Subs.	1,557	2,015	+ 458
Partnership Adv.	14,983	17,942	+ 2,959
Gen. Supplies & Invent.	3,469	3,100	— 369
Other Assets	2,156	1,964	— 192
TOTAL ASSETS	$44,780	$46,114	+$1,334
LIABILITIES			
Curr. Debt Matur.	———	$ 650	+$ 650
Accts. Pay. & Accr.	$ 1,755	1,880	+ 125
Fed. Inc. Tax Res.	675	364	— 311
TOTAL CURRENT LIABILITIES	2,430	2,894	+ 464
Defd. Inc. Tax	867	1,669	+ 802
Adv. From Subs.	1,104	1,730	+ 626
Long Term Debt	12,000	11,350	— 650
Capital Stock, Net	17,895	17,895	—
Surplus	10,484	10,576	+ 092
TOTAL LIABILITIES	$44,780	$46,114	+$1,334
NET WORKING CAPITAL	$ 9,522	$ 6,108	—$3,414
CURRENT RATIO	4.9	3.2	— 1.7

Homestake's fight for survival was not an easy one. Its success was a result of a happy coincidence of favorable geology and able administration. The Homestake orebody, while rather low grade, was found in a broad belt, with little associated base metal constituants, thereby permitting a profitable bulk mining and milling operation. Emphasis in such a mining method would naturally involve a treatment of greater and greater quantities of material. Hence, the early rapid expansion of plant capacity. By December 1878, output was 300 tons a day and through March of 1880, almost 200,000 tons of ore had been milled from which close to 65,000 ounces of gold had been recovered.

Early underground methods, patterned in the fashion of the Comstock Lode operations in Nevada, utilized square-set stopes, an expensive timbering procedure necessary to support the walls. Before long however, the remarkable strength of the ore and rock was demonstrated and shrinkage stoping in large chambers was adopted, with timber support used only for subsequent mining of pillars. This strength characteristic of the ore and wall rock was a major factor in the achievement of low cost, large output mining objectives.

One of the major highlights in the Homestake story is the company's significant contribution to gold metallurgy. During its first decade of business, recovery of gold from the crushed ores was accomplished solely by amalgamation, i.e. the use of mercury to collect the small particles of free gold from the mixture of finely powdered rock material and water. By such means, only 75% of the precious metal was recovered. Around the turn of the century, the company became a pioneer on this continent in the application of the cyanidation to the extraction process whereby portions of the gold remaining after amalgamation could be recovered. By 1900 recovery increased to 95% and has been subsequently raised to 97.1% by 1958 through additional refinements in technique. It is, nevertheless, a fact that there has been, as yet, no major change in the fundamental treatment of gold ores since the early adoption of the cyanidation process despite the many new methods that have since been introduced.

A New Approach

Under pressure of mounting prices during the booming 1920s, cost control was attacked with new vigor. Don H. McLaughlin (now president) was engaged as consulting geologist and a new approach to mining operations was soon adopted. Until 1928, Homestake, as noted, was a low grade, bulk mining operation, working entire widths of gold bearing formation without any detailed knowledge of gold contents within the component parts. Mining cost were low but much waste was mined and milled. The average grade of ore produced ranged from 0.15 to 0.20 ounces per ton. Closer geological control by the use of detailed sampling and mapping clearly showed that the distribution of the gold was intimately associated with a particular formation that could be easily defined and followed. Consequently, better results were possible by adoption of more selective mining techniques. The result: by 1935 ore grade doubled to 0.4 ounces per ton without an equivalent increase in per ton costs. With daily and annual tonnage maintained, a substantial increase in bullion output resulted. Thus, from 1935 until suspension of operations during the war years, bullion output averaged approximately 550,000 ounces per year, versus the bulk method's record output of 320,000 ounces in 1927. *The significance of the change in mining technique has not been generally appreciated as full beneficial effects of the new method was being realized just at the time when the price of gold was increased. The role that good technology played in the ensuing period of prosperity was thus largely obscured.*

Costs and Earnings

Earnings, since full resumption of normal operations in 1947, have steadily declined in the face of a generally rising level of costs. Per share earnings before percentage depletion declined 12% from the $2.32 level in 1947 to last year's $2.05 result. *With earnings on the* *(Please turn to page 383)*

★

Two Excellent Long-Established Companies in a New Phase of Growth

By WILLIAM F. REDMOND

OLDEST and commonest of all industrial raw materials, glass is unique in its wide range of applications. From this most useful of all synthetics one may fashion colorful and inexpensive Christmas tree baubles or huge and costly telescopic lenses. What would life be for persons with impaired vision without recourse to reading glasses? As a consequence of aggressive research in the last generation or two, great strides have taken place in discovering new uses for glass. Thus promising growth potentials have manifested themselves thousands of years after the secret of transforming silica sands into useful objects first came to light.

Perhaps the most significant progress has taken place in improvement and perfection of ophthalmic and scientific optical glasses in the last quarter of a century. In this development, Bausch & Lomb Optical Company and American Optical Company have led the way. Although both companies were organized about half a century ago and have been publicly owned for some time, the former's shares have been listed on the New York Stock Exchange only since last March. Interesting growth trends in both companies still remain relatively unknown to many investors.

Bausch & Lomb began business in 1853 in Rochester, N. Y., as an outlet for foreign made spectacles. Subsequently, frames and lenses made by hand were introduced. After development of the first workable microscope manufactured in the United States, the company gained entry into the scientific instrument field and began expansion of this phase of the glass business. When supplies of ophthalmic glass were cut off by the war in 1914, Bausch & Lomb undertook production of glass in this country, and this activity represented the only domestic source of optical glass until the 1940's. Production of precision optical in-

struments for military uses always has constituted an activity of major importance because of the company's strong resources in strategic materials and manufacturing skills.

Bausch & Lomb is believed to be the only fully integrated manufacturer of optics, being almost completely independent of outside suppliers. The company produces almost all its own glass requirements as well as principal component parts of many products, and designs a major portion of specialized equipment used in manufacturing and testing finished products.

Approximately half of sales volume is contributed by ophthalmic products, including lenses, frames and cases for eyeglasses, together with diagnostic and prescription laboratory equipment. Other products are embraced in an extensive selection of scientific instruments. These items, listed in more than a dozen categories, are used principally for analytical, industrial, medical, educational, motion picture and military functions. Other applications include optical glass, lenses, mirrors, reflectors, filters, gratings and special optical systems. In addition, a variety of consumer products are listed, such as slide projectors, sunglasses, rifle sights and binoculars. Safety goggles and other special products used in industrial outlets round out the wide variety of products. Items having military applications account for about 5 percent of total sales at present.

To uphold its reputation for high quality, Bausch & Lomb has followed a policy of maintaining its own distribution system. Because of the need for an infinite variety of individual lens prescriptions, it is customary for the company to have lenses ground only on one side at the factory. The other side is ground to specification according to individual prescription at locations throughout the country.

Distribution—The parent company controls about 1200 wholesale shops and these service 25,000 retail opticians, thus assuring satisfactory distribution of the company's high quality products. To improve penetration of the market the company has been engaged in reorganizing and strengthening its distribution. This program is expected to be completed in 1960.

Intensive research in all phases of optical materials and equipment has opened the way for participation by Bausch & Lomb in military programs. As an example, the company has devoted considerable effort to problems of transmitting and reflecting optics required for infrared guided missiles. It is thought that demand for infrared optics well might become an important factor in *defense* contracts.

The company also has worked with the Atomic Energy Commission in developing apparatus capable of measuring accurately, dosages in live tissue subjected to radiation under medical treatment. This research program foreshadows perfection of a new ultra-violet photomicroscope suitable for use in cancer research.

As a consequence of emphasis on research, the company has become a major source of precision-ruled diffraction gratings required for instruments used in physical analytical work. Diffraction gratings are described as optical elements enabling re-

Long-Term Income Data

	American Optical Co.						
	Net Sales	Deprec. and Amort.	Net Income	Net Profit Margin	Net Earnings Per Share	Div. Per Share	Price Range High - Low
	(Millions)						
1959 (1st 9 months)	$67.5[1]	N.A.	$2.2[1]	3.3%	$2.81[1]	$2.00[2]	53½-38⅜
1958	79.3	2.7	1.7	2.1	2.09	2.00	40⅝-34¾
1957	78.1	2.2	2.5	3.2	3.21	2.00	37⅞-30¾
1956	75.6	2.1	2.3	3.0	3.01	2.00	40¾-33⅛
1955	70.9	1.9	2.6	3.6	3.34	2.00	53¼-38
1954	67.3	1.8	2.1	3.2	2.65	2.00	42¼-32¼
1953	71.0	1.7	2.5	3.5	3.10	2.00	39⅞-29¼
1952	71.2	1.5	2.4	3.3	2.96	2.00[3]	32⅝-32
1951	66.8	1.4	2.5	3.8	3.98	2.00	46 -32⅞
1950	57.7	1.2	2.4	4.2	3.77	2.00	38¼-29
1949	55.6	1.1	2.1	3.9	3.39	2.00	35 -29¼
10 Year Average 1949-58	$69.3	$1.7	$2.3	3.3%	$3.15	$2.00	

N.A.—Not available.
d—Deficit.

1—39 weeks to Oct. 2, 1959.
2—Total payment for 1959.
3—Plus 25% stock div.

Balance Sheet Data

	American Optical Co. 1/2/1959	Bausch & Lomb Optical Co. 12/28/1958
	(Millions)	
Long Term Debt (Stated Value)	$15.0[1]	$ 6.5[2]
Preferred Stock (Stated Value)	None	$ 5.0
No. of Common Shares Outstanding (000)	813	843[3]
Common Stock and Surplus	$46.7	$27.5
Cash and Marketable Securities	$ 3.6	$ 2.7
Inventories, Net	$31.1	$21.6
Receivables, Net	$13.3	$ 7.9
Current Assets	$48.4	$32.8
Current Liabilities	$ 6.6	$11.7
Net Working Capital	$41.8	$21.1
Current Ratio (C.A. to C.L.)	7.4	2.8
Net Property	$16.8	$14.7
Total Assets	$68.4	$50.7
Book Value Per Share	$57.10	$32.67
Estimated Earnings Per Share 1959	$ 3.70	$ 2.75
Recent Price of Common Stock	48	35
Price-Earnings Ratio	12.9	12.7
Indicated Current Dividend	$2.00	$1.00
Dividend Yield	4.1%	2.8%

1—June 1, 1959 borrowed an additional $2.5 million.
2—Rights for $8.5 million cv. deb. offered 6/18/59; $6 million net proceeds to retire bank loans.
3—5/5/59 company acquired Herron Optical Co. for 3,500 common treasury shares.

Long-Term Income Data

	Bausch & Lomb Optical Co. Net Sales	Deprec. and Amort.	Net Income	Net Profit Margin	Net Earnings Per Share	Div. Per Share	Price Range High - Low
	(Millions)						
1959 (1st 9 months)	$45.5	$N.A.	$1.9	4.1%	$2.04	$1.00[1]	40½-27
1958	53.3	1.5	1.7	3.1	1.77	1.00[2]	36 -18¾
1957	52.5	1.2	1.8	3.4	2.11	1.00	24⅛-17½
1956	50.1	1.3	1.4	2.8	1.60	1.00	28¼-19
1955	48.6	1.2	1.6	3.2	1.94	.75	26 -19
1954	48.9	1.3	1.6	3.2	1.83	.70	18¾-10⅝
1953	51.0	1.2	1.5	2.9	1.69	.60	15⅝-10¾
1952	52.1	1.1	1.6	3.2	1.96	.80	14⅛-11½
1951	48.5	1.0	1.4	3.0	1.67	—	14⅜-10¼
1950	37.3	.8	.9	2.4	.97	—	12⅛- 7½
1949	35.3	.7	.1	—	d.24	.25	13¾- 7¾
10 Year Average 1949-58	$47.7	$1.1	$1.3	2.7%	$1.57	$ .61	

d—Deficit.

1—Total payment for 1959.
2—Plus 20% stock dividend.

searchers to analyze materials as to their components. *In fact, they are considered the heart of such technical instruments as the spectograph and the spectro-photometer.*

They have been used in rockets to test conditions in space for materials and radiation outside the earth's atmosphere. *Extreme accuracy required may be better appreciated by the fact that such precision gratings are prepared in an underground laboratory set on bed rock.* Parallel grooves to the number of about 30,000 to an inch are ruled in a thin layer of aluminum, vacuum-deposited on glass. It is in the area of extremely critical scientific instrumentation that Bausch & Lomb has intrenched itself so firmly that competition is less evident.

The Answer to Competition

In the optical industry, however, competition here and abroad has intensified. Although the number of competitors has been limited by factors such as large investment required in processing machinery and the need for prompt servicing of retail channels, prices of most consumer products are held in check by aggressive merchandising. Glass manufacturing operations have been modernized by introduction of semi-continuous tank furnaces affording economies in labor as a means of combating lower wage rates abroad. Costs of ophthalmic lenses have been lowered through greater dependence on semi-automatic equipment.

The company has endeavored to meet competition from abroad by stressing research and engineering capabilities as well as by providing improved products and prompt service. New production techniques also have served to keep costs at a level permitting domestic products to compete with those made abroad. Consideration has been given to plans for possible openings of plants abroad for producing lenses with advantage of lower labor costs.

Earnings-Dividend Outlook

Turning to consideration of financial aspects, one may note that Bausch & Lomb is experiencing its most successful year. Sales for 1959 are expected to exceed the $60 million peak reached in World War II and to register an improvement of about 13 percent over last year's $54 million total. Introduction of new products has given impetus to the uptrend, which reflects to some extent general improvement in economic conditions. Increasing emphasis on such items as student microscopes is expected to bolster volume in 1960. Other new items are scheduled for introduction in the next year or two.

Net profit has been estimated by management at a figure well above $2 million, compared with a previous high of about $1.8 million. For the first nine months this year earnings reached $2.04 a share, compared with $1.13 for the same period a year earlier and with $1.77 a share for all of 1958. Dividends were maintained for 1959 at $1 a share, compared with 96 cents a share in 1958 and 84 cents in 1957, adjusted for the present capitalization. A 20 per cent stock dividend was paid in January 1958.

New Diversification for American Optical

The other leading factor in this particular niche in the glass industry, namely, **American Optical Company**, was established four years after Bausch & Lomb had been incorporated. The former's progress has been more vigorous in the last two decades, with sales expanding substantially in the war. Shipments this year have been running well ahead of corresponding figures for 1958 and are expected to set a new high in excess of $90 million, compared with $79.3 million last year. Earnings also should come close to reaching an all-time high in excess of the $3.34 a share of 1955. Net profit for the first nine months totaled $2.81 a share, compared with $1.49 for the same period of 1958. Dividends have been maintained at $2 a share annually for the last seven years.

Although American Optical's output closely resembles that of Bausch & Lomb, diversification has been more pronounced. As a result of an acquisition a year and a half ago, for example, the former gained a foothold in the specialized field of dental equipment. Hanau Engineering Company manufactures precision equipment for the dental profession as well as for dental laboratories. This subsidiary is expected to enjoy substantial growth. Another subsidiary acquired almost four years ago, J. W. Fecker, Inc., makes astronomical equipment, together with devices used for tracking missiles and for testing missile guidance systems as well as components. It has shared in the outstanding expansion in missile production.

Their Share in Todd-AO Company

American Optical's substantial investment in the Todd-AO Company affords further diversification in another direction—the entertainment industry. This concern, in which Optical holds a half interest in voting stock and a three-eighths interest in non-voting shares, has developed *(Please turn to page 384)*

FOR PROFIT AND INCOME

Box Score

In November there were dividend boosts in 105 instances, against 63 a year ago; and the rise in number of extras was to 304 from 232. In nine months through September, total payments by companies with stocks listed on the Big Board were 5.4% ahead of a year ago, setting a record for the period for the seventeenth consecutive year. For ten months through October, the Commerce Department reports total payments by all companies issuing public reports at a level 5.3% above a year earlier. The full-year gain may be around 6% to 7%. Regardless of variations in earnings, this series shows a gain in each of 17 years after 1941. At least a moderate rise is highly probable in 1960. But while the dividend trend is obviously bullish, the reservation to keep in mind is that the stock market has run far ahead of it. Under today's market psychology, who cares about dividends and yields? Everybody wants capital gains—but everybody will not get and keep them.

Textiles

Due to excess capacity and sharp competition, the textile industry was in a poor position for an extended period. It is in a substantially improved basic position now. Earnings are at the best levels in some years. They will remain around present or somewhat better levels at least through the 1960 first quarter. The stocks are reasonably priced on earnings and could rise somewhat further over the medium term. But the textile cycle has not been abolished. We have not seen the last period of production and inventory excess, of easing prices and pressure on margins. When might the next one come? It might be by the second or third 1960 quarter. Looking behind the cheerful current news and the general optimism in the trade, one sobering fact stands out. By September the Federal Reserve Board index of output of textile mill products had reached a level 21% above the average; but, as an adequate indicator of retail demand, sales of apparel stores were only 8% above the 1958 average. The lat-

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1959	1958
Kansas City Southern Rwy.	9 mos. Sept. 30	$4.23	$3.77
Anaconda Wire & Cable	9 mos. Sept. 30	3.27	.57
Chemstron Corp.	Quar. Sept. 30	.28	.03
International Nickel Co.	Quar. Sept. 30	1.36	.61
Kern County Land	9 mos. Sept. 30	2.79	2.24
Texas Instruments, Inc.	Quar. Sept. 30	.89	.44
General Precision Equip.	9 mos. Sept. 30	1.91	.05
Motor Products Corp.	Quar. Sept. 30	1.24	.83
Corning Glass Works	40 weeks Oct. 4	2.63	1.69
Hertz Corp.	Quar. Sept. 30	.77	.54

ter are not going to catch up with the output trend. Therefore textile production is building up for a let-down. The question raised is not whether to buy textile stocks but when to take profits. We say: on possible rallies and not later than the forepart of 1960.

Which?

Ably managed and expanding, the Grant (W. T.) Co. is ranked second largest in the variety-store field, with Woolworth first. However, Grant outlets are actually junior department stores handling a broad range of merchandise at prices up to around $100 and doing some credit selling (about 10% of sales and growing). Over the last five years, Grant outgained Woolworth roughly two to one in sales and net income improvement on a percentage basis; and is continuing to run ahead. At $2.20, dividends are up about 47% since 1954; those of Woolworth are unchanged at $2.50. Woolworth may net around $4.00 a share this year, best showing since $4.48 in 1948, and up from 1958's $3.34. Something like $4.30 to $4.40 is a reasonable expectation for 1960. Grant should net close to $4.00 a share this year, against $3.71 in 1958, despite expansion financing last April which raised outstanding shares by about 13%. Without an equity-dilution factor in 1960, profit might readily rise to a range of $4.50-4.75 a share, possibly permitting another boost in dividends. In strong recent demand, Woolworth rose to a new high of 65, in the vicinity of 15 times possible 1960 earnings, with the yield basis slightly under 4%. Grant is currently "sleeping" at 48 near recent all-time high of 50, a valuation not greatly over 10 times possible 1960 earnings, yielding nearly 4.6%. Woolworth is a sound holding. For new buying, Grant is a better value; and the stock should "wake up" as the fact of reasonable valuation gets recognition.

Group Variations

In recent trading sessions up to this writing, the stock groups performing better than the market are principally air lines, aluminum, dairy products, motion pictures, office equipment, oils, shoes and television-electronics. The reverse is so of recent behavior of these groups: automobiles, building materials, coal, food stores, farm machinery, mail order, meat packing, metal fabricators, rail equipment and tires.

Scare?

Based on old and familiar statistical findings — challenged by some in the medical profession — the U. S. Surgeon General recently issued a statement of the opinion that a link between cigarette smoking and lung cancer had been indicated. The stocks immediately reacted considerably under fairly active selling and the newspapers duly reported "another cancer scare." How silly can investors and traders get? These stocks have been living with recurrent cancer-scare publicity for over four years, are importantly higher now than when it started, cigarette usage is at a new peak and it is still rising. The stocks no doubt will recover and they have an earnings-dividend basis for gradual further rise. They remain good income holdings. Reynolds Tobacco remains the best of them.

Oil Rally

The oil-stock rally reflects a strengthened technical position after long and large decline; and abatement, if not near completion, of tax selling. Much of the basic earlier investment appeal has gone out of the group; but the chances appear to be that 1960 earnings will moderately exceed this year's so-so levels. This assumes reasonable restraint in refinery output, and allows for (1) a moderate gain in consumption and (2) tighter control of expenses, especially as regards capital programs. At least some further rally into January could well develop.

Rail Performance

Rail stocks have sub-average long-term potentials, and have performed poorly in 1959. You may be surprised to know that a majority of investment companies hold rail securities. According to latest report, they totalled over $800 million, or 4.8% of net assets of 179 funds belonging to the National Association of Investment Companies, with 107 of the funds owning rail common shares at a total of over $563 million. A rail strike of more than brief duration, if any, is generally believed unlikely. Assuming this is right, and assuming no renewed steel strike of important duration, the rails have more to gain from 1960 first-half traffic gains than they can be expected to lose in higher wage costs. Therefore, with tax selling out of the way, a sizable rail rally into January would not be surprising. Obviously, there is speculative risk in a short-term play for it. For those willing to take the risk, some of the better-situated stocks are Great Northern, Illinois Central, Kansas City Southern, Union Pacific, Western Maryland.

Valuations

Market valuations are highest for popular growth stocks, much lower for cyclical stocks; and they are lower, regardless of growth or cyclical classification, for secondary or less well-known issues than for widely-known Big-Name stocks. As the latter rise to excessive levels, demand tends to "trickle down." There are some better-than-average values among lesser-known equities. Two are cited below.

Harris-Intertype

This aggressive company makes a variety of printing equipment

(*Continued on Page 384*)

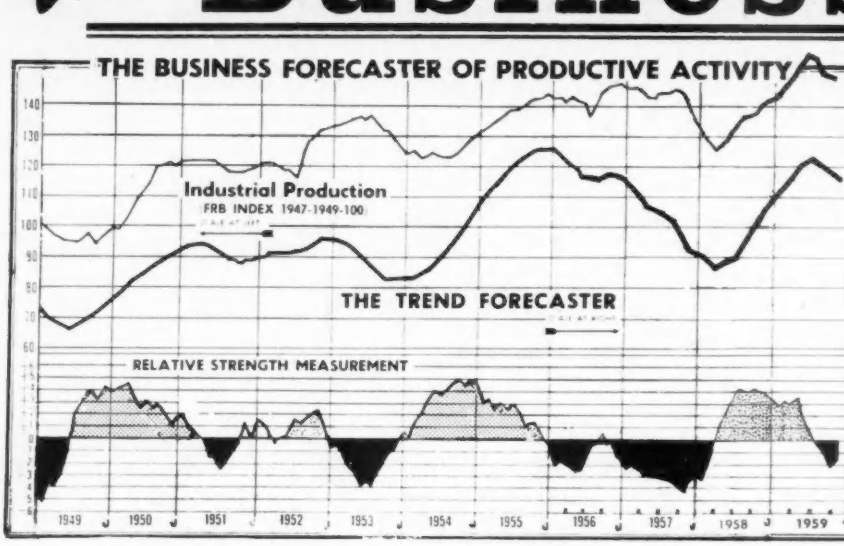
DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1959	1958
United Aircraft Corp.	Quar. Sept. 30	$1.10	$1.22
Allied Mills	Quar. Sept. 30	.45	.71
General Dynamics Corp.	9 mos. Sept. 30	1.70	2.92
Eastern Air Lines	9 mos. Sept. 30	.90	2.13
Archer-Daniels-Midland	Quar. Sept. 30	.53	1.01
ACF - Wrigley Stores	Quar. Sept. 26	.17	.30
Fibreboard Paper Prod.	Quar. Sept. 30	.81	1.02
Universal - Cyclops Steel	Quar. Sept. 30	.22	.65
Twin Coach Co.	Quar. Sept. 30	.87	1.00
Reichhold Chemicals	9 mos. Sept. 30	.72	.85

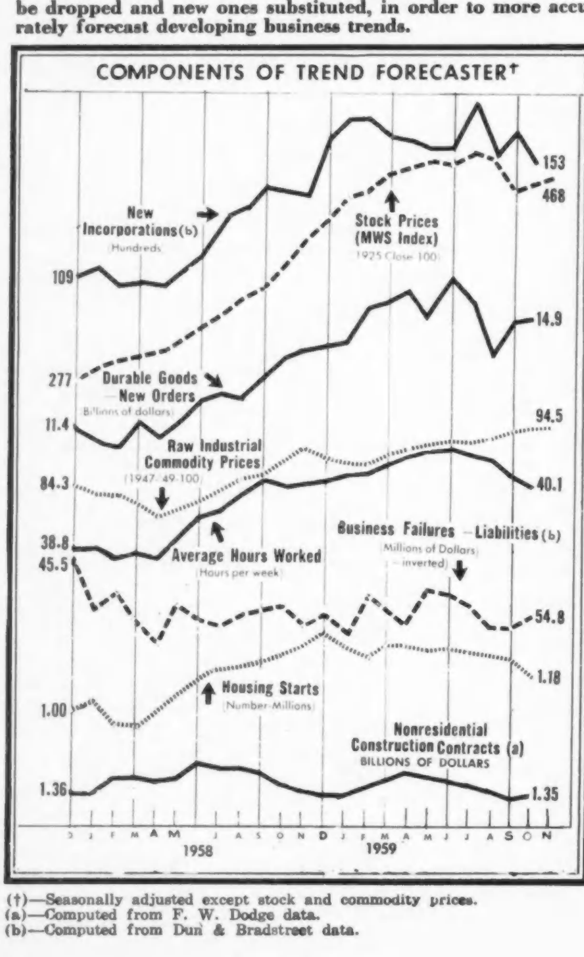
the Business

Business Trend Forecaster*

INTERESTING TO NOTE — The rise in industrial production line between 1956-57 was offset by economic decline in that period, accurately forecasting heavy inventory accumulations.



***With the many revolutionary changes in our economy, it was evident that various indicators previously used should be dropped and new ones substituted, in order to more accurately forecast developing business trends.**



(†)—Seasonally adjusted except stock and commodity prices.
(a)—Computed from F. W. Dodge data.
(b)—Computed from Dun & Bradstreet data.

This we have done in our *Trend Forecaster* (developed over a period of several years), which employs those indicators (see Components of Trend Forecaster) that we have found to most accurately project the business outlook.

As can be seen from the chart, industrial activity in itself is not a true gauge of the business outlook — the right answer can only be found when balanced against the state of our economy. The *Trend Forecaster* line does just that. When it changes direction up or down a corresponding change in our economy may be expected several months later.

The depth or height of the developing trend is clearly presented in our *Relative Strength Measurement* line, which reflects the rate of expansion or contraction in the making. When particularly favorable indications cause a rise that exceeds plus 3 for a period of time, a strong advance in general business is to be expected. On the other hand, penetration of minus 3 on the down side usually precedes an important contraction in our economy.

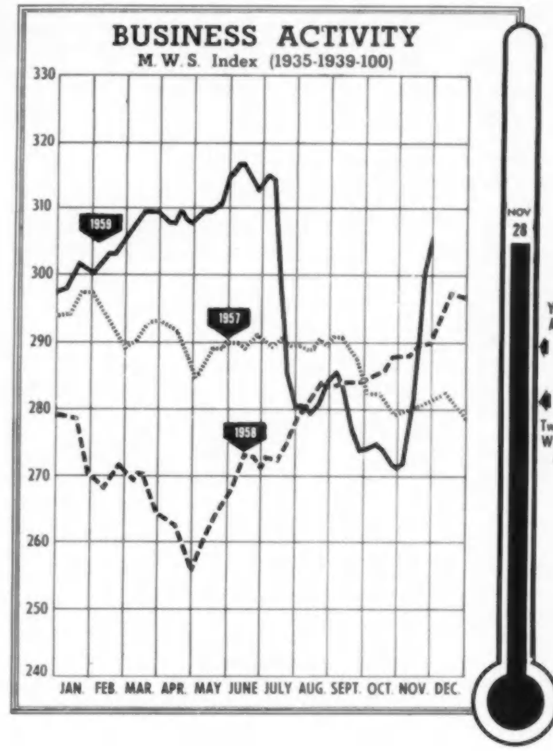
We believe that subscribers will find our Business Trend Forecaster of increasing usefulness both from the investment and business standpoints.

Current Indications of the Forecaster

In the most recent months covered by the available data, trends within the eight component series of the Trend Forecaster have continued mixed. Those series influenced by the steel strike were hard hit in the summer and fall, but should now enjoy a recovery. For other series, tight money has precipitated or reinforced weakness; in still other series, the uptrend of the first half of the year has been maintained without interruption.

Early in the fourth quarter, new incorporations were in an irregular downtrend; stock prices were rising slowly; durable goods orders (which had been importantly affected by the strike) had begun to recover; industrial commodity prices were rising only sluggishly; average hours worked were still somewhat depressed (partly as a result of a steel shortages); business failures showed little trend; and housing starts were declining (mainly because of a shortage of mortgage funds). The Relative Strength Measure evidently reached a trough of about —2.1 in October, and began to rise in November, foreshadowing the widely expected post-strike recovery.

s Analyst



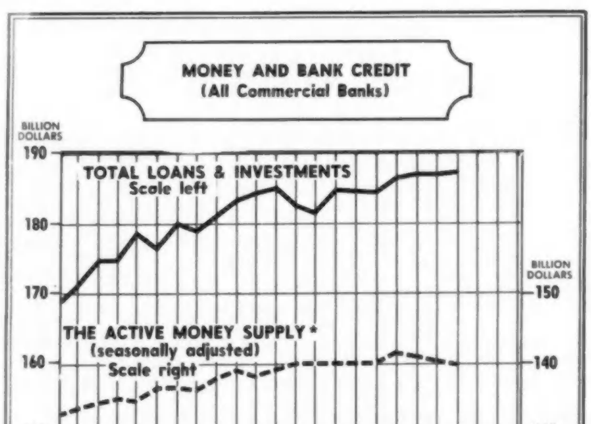
CONCLUSIONS IN BRIEF

PRODUCTION—now advancing in a series of spurts, as steel supplies improve in basic industry. Barring a resumption of the strike, the outlook calls for a sharp advance in industrial output through first half of 1960.

TRADE—has evidently set a new dollar record in December, despite retardation of auto sales because of model shortages. Look for excellent retail volume through first half of 1960, particularly in areas where trade had been slowed by the strike.

MONEY & CREDIT—the squeeze is now on in earnest. Expect still higher short-term and long-term rates over the next six months, and real scarcity of funds, even though Federal Reserve adds somewhat to bank reserves.

COMMODITIES—still no clear uptrend, despite upsurge in general business. Modest advance in prices still a very good bet for near-term; perhaps a 2% rise in industrial wholesale price level between now and mid-1960.



A substantial and well sustained advance in general business conditions has been inaugurated by the restoration of steel production; this is the general conclusion of experienced observers of the business situation. Ignoring the possibility that a new walkout will occur in the steel industry, or that serious strikes will appear in other important industries, the American business cycle is now in a rapidly climbing phase, and there are few who would argue that it will stop rising before the middle of 1960. In fact, only a small minority would argue that the rise will stop before late next year. Rarely has there been such unanimity about the outlook for as much as twelve months ahead.

The consensus is, of course, founded on some substantial and diverse demands looming ahead for 1960. Inventory demand is a strong and safe bet for both the steel-consuming and nondurable sectors of the economy, although it is likely to appear most spectacularly in the metal fabricating fields. Likewise, a considerable advance in the seasonally adjusted rate of automobile production is a certainty for the first half of 1960; industry schedules now point as high as 2.2 million cars in the first quarter alone, assuming that the steel for such a production rate will be made available.

Also, plant and equipment demand should be present in abundant quantity. By all indications, corporate profits and retained earnings will have recovered to record levels by the Spring of 1960, and rising depreciation allowances will provide still another margin of growth in internal sources of funds.

(Please turn to the following page)

Essential Statistics

THE MONTHLY TREND	Unit	Month	Latest Month	Previous Month	Year Ago
INDUSTRIAL PRODUCTION* (FRB)	1947-'9-100	Oct.	148	149	138
Durable Goods Mfr.	1947-'9-100	Oct.	151	152	140
Nondurable Goods Mfr.	1947-'9-100	Oct.	146	147	134
Mining	1947-'9-100	Oct.	117	116	122
RETAIL SALES*	$ Billions	Oct.	18.3	17.8	16.6
Durable Goods	$ Billions	Oct.	6.3	5.8	5.1
Nondurable Goods	$ Billions	Oct.	12.0	12.0	11.5
Dep't Store Sales	1947-'9-100	Oct.	144	143	135
MANUFACTURERS'					
New Orders—Total*	$ Billions	Oct.	30.5	30.2	27.9
Durable Goods	$ Billions	Oct.	14.8	14.9	13.5
Nondurable Goods	$ Billions	Oct.	15.7	15.3	14.4
Shipments*	$ Billions	Oct.	29.7	29.2	27.2
Durable Goods	$ Billions	Oct.	14.1	13.9	12.9
Nondurable Goods	$ Billions	Oct.	15.3	16.1	14.2
BUSINESS INVENTORIES, END MO.*	$ Billions	Oct.	88.7	89.2	84.9
Manufacturers'	$ Billions	Oct.	51.4	51.7	49.3
Wholesalers'	$ Billions	Oct.	12.5	12.5	12.1
Retailers'	$ Billions	Oct.	24.8	24.8	23.5
Dept. Store Stocks	1947-'9-100	Oct.	159	161	152
CONSTRUCTION TOTAL	$ Billions	Oct.	4.8	5.0	4.8
Private	$ Billions	Oct.	3.4	3.5	3.2
Residential	$ Billions	Oct.	2.0	2.1	1.8
All Other	$ Billions	Oct.	1.4	1.4	1.4
Housing Starts*—a	Thousands	Oct.	1180	1325	1303
Contract Awards, Residential—b	$ Millions	Oct.	1515	1466	1595
All Other—b	$ Millions	Oct.	1620	1592	1714
EMPLOYMENT					
Total Civilian	Millions	Oct.	66.8	66.3	65.3
Non-Farm *	Millions	Oct.	52.6	52.7	51.1
Government *	Millions	Oct.	8.3	8.2	8.0
Trade *	Millions	Oct.	11.6	11.5	11.2
Factory *	Millions	Oct.	12.2	12.4	11.7
Hours Worked	Hours	Oct.	40.3	40.3	39.8
Hourly Earnings	Dollars	Oct.	2.21	2.22	2.11
Weekly Earnings	Dollars	Oct.	89.06	89.47	85.17
PERSONAL INCOME*	$ Billions	Oct.	382	381	364
Wages & Salaries	$ Billions	Oct.	259	259	242
Proprietors' Incomes	$ Billions	Oct.	57	56	59
Interest & Dividends	$ Billions	Oct.	37	37	33
Transfer Payments	$ Billions	Oct.	27	27	27
Farm Income	$ Billions	Oct.	14	13	18
CONSUMER PRICES	1947-'9-100	Oct.	125.5	125.2	123.7
Food	1947-'9-100	Oct.	118.4	118.7	120.3
Clothing	1947-'9-100	Oct.	109.4	109.0	107.1
Housing	1947-'9-100	Oct.	130.1	129.7	127.9
MONEY & CREDIT					
All Demand Deposits*	$ Billions	Oct.	111.9	112.2	110.2
Bank Debits*—g	$ Billions	Oct.	91.9	95.4	87.1
Business Loans Outstanding—c	$ Billions	Oct.	30.5	30.3	N.A.
Instalment Credit Extended*	$ Billions	Oct.	4.2	4.1	3.4
Instalment Credit Repaid*	$ Billions	Oct.	3.7	3.6	3.4
FEDERAL GOVERNMENT					
Budget Receipts	$ Billions	Oct.	3.0	8.5	2.8
Budget Expenditures	$ Billions	Oct.	6.9	6.4	7.1
Defense Expenditures	$ Billions	Oct.	3.9	3.8	4.2
Surplus (Def) cum from 7/1	$ Billions	Oct.	(5.7)	(1.8)	(8.8)

PRESENT POSITION AND OUTLOOK

While the capital markets will probably be extremely tight by mid-year, it is typical postwar experience that this will not deter corporations from financing the capital outlays that seem to be desirable on other grounds.

One can of course quibble with this outlook, and one is most certainly entitled to argue about the health of the general economy, and the longevity of a recovery that has taken so much of its energy from the artificial impetus of a fourteen-week steel strike. But it is no longer contestable that the near term outlook for such key measures of business activity as the industrial production index and the gross national product is clearly and sharply upward.

* * *

FARMS IN TROUBLE — in the third quarter of 1959, the annual rate of net farm income (that is, income of farm operators after deduction of farm operating and production costs) fell to about $10 billion. This is the lowest rate in postwar history. The decline results from a sharply reduced level of farm prices, at a time when farmers' costs continued to rise. Gross farm income in the third quarter was fully $3 billion lower than a year earlier. The parity ratio — a measure which indicates the relative position of the farmer in the total economy — fell to the lowest level since prior to world War II. Prices of livestock have slipped sharply in recent months, and are now almost 10% below a year ago.

* * *

INSTALMENT CREDIT — rose by another $500 million in October, after a series of such rises extending back into the Spring. The recent rise occurred despite the slowdown in automobile sales, which reflected first the model changeover and then the shortage of new models owing to the steel strike. Credit extended has exceeded repayments by something close to $5 billion in 1959, a figure very close to the all-time record set in 1955. And mortgage debt formation this year has doubtless greatly exceeded the rate of formation in 1955. The current year has thus seen a new all-time record for the net increase in total consumer debt including both short-term and

and Trends

QUARTERLY STATEMENT FOR THE NATIONAL ECONOMY

In Billions of Dollars—Seasonally Adjusted, at Annual Rates

SERIES	1959 Quarter III	1959 Quarter II	1959 Quarter I	1958 Quarter III
GROSS NATIONAL PRODUCT	478.6	484.5	470.2	444.0
Personal Consumption	313.3	311.2	303.9	294.4
Private Domestic Invest.	67.0	77.5	69.8	54.2
Net Exports	0.0	—1.8	—0.9	1.6
Government Purchases	98.4	97.7	97.4	93.8
Federal	53.6	53.9	53.8	53.6
State & Local	44.8	43.8	43.8	40.8
PERSONAL INCOME	381.0	381.1	371.8	336.4
Tax & Nontax Payments	45.8	45.8	44.4	42.9
Disposable Income	335.2	335.3	327.4	320.4
Consumption Expenditures	313.3	311.2	303.9	294.4
Personal Saving—d	21.9	24.1	23.5	26.0
CORPORATE PRE-TAX PROFITS		52.6	46.5	38.3
Corporate Taxes		25.6	22.6	18.8
Corporate Net Profit		27.0	23.8	19.5
Dividend Payments		13.0	12.8	12.6
Retained Earnings		14.0	11.0	6.9
PLANT & EQUIPMENT OUTLAYS	34.3	32.5	30.6	29.6

THE WEEKLY TREND

	Unit	Week Ending	Latest Week	Previous Week	Year Ago
MWS Business Activity Index*	1935-'9-100	Nov. 28	305.2	300.8	290.2
MWS Index—per capita*	1935-'9-100	Nov. 28	223.2	220.1	216.0
Steel Production	% of Capacity	Dec. 5	92.3	89.7	73.5
Auto and Truck Production	Thousands	Dec. 5	69	60	179
Paperboard Production	Thousand Tons	Nov. 28	311	323	286
Paperboard New Orders	Thousand Tons	Nov. 28	276	296	259
Electric Power Output*	1947-'49-100	Nov. 28	258.2	260.3	241.0
Freight Carloadings	Thousand Cars	Nov. 28	574	629	539
Engineerings Constr. Awards	$ Millions	Dec. 3	383	390	399
Department Store Sales	1947-'9-100	Nov. 28	176	182	171
Demand Deposits—c	$ Billions	Nov. 25	61.3	60.8	61.6
Business Failures—s	Number	Nov. 26	268	287	244

PRESENT POSITION AND OUTLOOK

long-term. It is worth adding that this new massive addition to debt was incurred at the highest level of effective interest rates since before World War II.

While it is certainly probable that the debt of consumers will continue to rise rapidly in the coming post-strike boom, it is worth noting that the expansion of credit is already well advanced, and repayments already have a good deal of catching up to do. The consumer credit statistics are intimately linked with the general state of business; they doubtless deserve close watching, as a possible early indicator of loss of momentum as the boom works its way through 1960.

* * *

CORPORATE PROFITS—they are back in an uptrend, after a serious drop during the steel strike. In the second quarter, the rate of corporate earnings, before taxes, was almost $53 billion, a new record. Preliminary estimates now suggest a drop to about $47 billion in the third quarter, and a moderate recovery, to perhaps $49 billion, in the fourth quarter. In early 1960, the rate should clearly return to a record range.

*Seasonally adjusted. (a)—Private starts, at annual rates. (b)—F. W. Dodge unadjusted data. (c)—Weekly reporting member banks. (d)—Excess of disposable income over personal consumption expenditures. (e)—Estimated. (f)—Estimated by Council of Economic Advisors. (g)—337 non-financial centers. (na)—Not available. (r)—Revised. (s)—Data from Dun & Bradstreet. Other Sources: Federal Reserve Bd., Commerce Dept., Securities & Exch. Comm., Budget Bureau.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

No. of Issues (1925 Cl.—100)	1959 Range High	1959 Range Low	1959 Nov. 27	1959 Dec. 6
300 Combined Average	492.4	436.9	468.4	477.0
4 Agricultural Implements	492.4	356.2	460.9	450.5
3 Air Cond. ('53 Cl.—100)	137.2	110.5	114.1	123.8
10 Aircraft ('27 Cl.—100)	1375.1	1019.1	1071.4	1141.9
7 Airlines ('27 Cl.—100)	1429.4	1079.6	1069.6	1109.6
4 Aluminum ('53 Cl.—100)	594.5	392.0	478.2	495.4
5 Amusements	252.6	200.5	233.3	233.3
6 Automobile Accessories	533.9	413.4	525.8	533.9H
6 Automobiles	152.0	93.7	149.1	147.2
4 Baking ('26 Cl.—100)	41.3	38.7	38.7	38.7
4 Business Machines	1395.5	1173.8	1291.2	1356.4
6 Chemicals	835.5	692.9	781.2	788.0
4 Coal Mining	37.8	28.1	36.1	35.3
4 Communications	215.2	164.6	203.8	215.2H
9 Construction	178.9	155.6	171.2	175.8
7 Containers	1142.6	988.8	1021.8	1032.8
6 Copper Mining	344.6	280.7	319.6	316.8
2 Dairy Products	163.1	138.8	158.8	161.7
6 Department Stores	141.5	119.1	141.5	140.3
5 Drugs-Eth. ('53 Cl.—100)	475.4	379.5	451.4	459.4
6 Elec. Eqp. ('53 Cl.—100)	351.3	268.8	335.3	351.3H
3 Finance Companies	769.7	661.8	683.3	683.3
5 Food Brands	470.0	406.3	430.2	438.1
3 Food Stores	279.6	244.4	247.1	247.1

(Nov. 14, 1936 Cl.—100)	High	Low	Nov. 27	Dec. 6
100 High Priced Stocks	306.7	268.4	293.9	300.1
100 Low Priced Stocks	665.9	585.4	625.0	637.1
5 Gold Mining	1005.1	853.0	971.3	971.3
4 Investment Trust	190.6	165.2	165.2	170.6
3 Liquor ('27 Cl.—100)	1624.8	1429.2	1489.4	1534.5
8 Machinery	563.2	452.4	501.2	514.5
3 Mail Order	438.3	253.1	423.7	438.3H
4 Meat Packing	269.2	204.4	267.2	269.2
5 Mtl. Fabr. ('53 Cl.—100)	211.2	181.3	198.9	197.1
9 Metals, Miscellaneous	409.6	343.8	362.0	365.7
4 Paper	1310.5	1170.1	1275.4	1310.5H
22 Petroleum	885.5	701.7	710.1	743.5
21 Public Utilities	365.4	334.9	338.3	338.3
6 Railroad Equipment	104.1	86.9	94.6	98.0
20 Railroads	78.2	66.0	66.0	67.4
3 Soft Drinks	715.1	599.8	680.5	680.5
12 Steel & Iron	476.4	392.5	445.9	461.1
4 Sugar	144.7	88.7	91.3	88.7L
2 Sulphur	863.3	580.6	588.3	657.0
11 TV & Electron. ('27 Cl.—100)	111.3	65.6	105.0	111.3H
5 Textiles	259.6	176.6	222.5	227.8
3 Tires & Rubber	281.8	216.1	250.0	254.3
5 Tobacco	194.9	172.9	191.5	191.5
3 Variety Stores	363.9	331.4	350.9	354.1
20 Unclassif'd (49 Cl.—100)	284.9	239.8	356.4	261.1

H—New High for 1959. L—New Low for 1959.

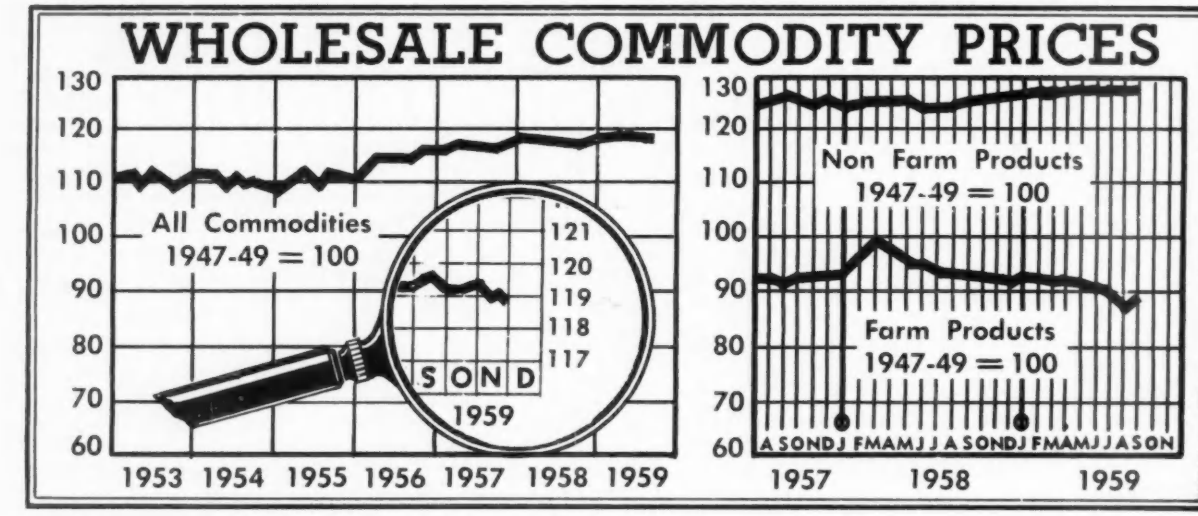
Trend of Commodities

SPOT MARKETS—Sensitive commodities were mixed in the two weeks ending Dectmber 4, although the BLS daily index of 22 such commodities declined slightly, to close at 84.4, a loss of 0.2% in the fortnight. Raw foods held firm for a change while industrial materials were somewhat lower on balance. In the latter category, rubber and steel scrap fell rather sharply while tallow and tin also sought lower levels. Better prices were noted for copper scrap, cotton, hides, print cloth, rosin and wool tops.

Meanwhile, the rank and file of commodities were virtually trendless, judging by the BLS comprehensive weekly wholesale price index, which closed at 118.9 on December 1, unchanged from two weeks ago. The index is now slightly under its level of one year ago, throwing a curious light on all the talk of inflation.

FUTURES MARKETS—Most futures were virtually featureless in the two weeks ending December 4, with no clear trend discernible for such leading staples as wheat, corn, soybeans and cotton. Gains were posted for oats, world sugar, hides and copper, while coffee, cocoa, rubber and lead, declined. The Dow-Jones Commodity Futures Index gained a minuscule 0.37 points to close at 151.43.

Wheat futures were mixed, with nearby options registering weakness while distant deliveries strengthened. Reports of soil erosion, bad weather and insufficient rain accounted for the improvement in new crop option quotations. March wheat fluctuated in a narrow range in the period under review and closed unchanged from two weeks ago. Current indications continue to suggest that tightness could eventually develop in free supplies of old crop wheat.



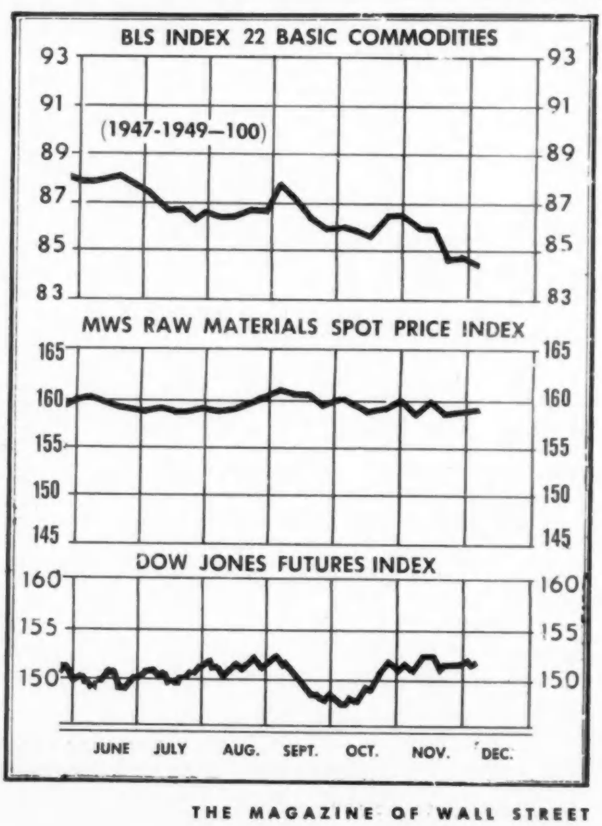
BLS PRICE INDEXES 1947-1949—100	Date	Latest Date	2 Weeks Ago	1 Yr. Ago	Dec. 6 1941
All Commodities	Dec. 1	118.9	118.9	119.0	60.2
Farm Products	Dec. 1	84.9	85.0	91.2	51.0
Non-Farm Products	Dec. 1	128.6	128.6	126.9	67.0
22 Sensitive Commodities	Dec. 4	84.4	84.6	87.0	53.0
9 Foods	Dec. 4	72.7	72.6	82.9	46.5
13 Raw Ind'l. Materials	Dec. 4	93.5	94.0	89.8	58.3
5 Metals	Dec. 4	101.7	103.3	97.1	54.6
4 Textiles	Dec. 4	80.4	79.3	77.4	56.3

MWS SPOT PRICE INDEX
14 RAW MATERIALS
1923-1925 AVERAGE—100
AUG. 26, 1939—63.0 Dec. 6, 1941—85.0

	1959	1958	1953	1951	1941
High of Year	161.4	154.1	162.2	215.4	85.7
Low of Year	152.1	146.5	147.9	176.4	74.3
Close of Year		152.1	152.1	180.8	83.5

DOW-JONES FUTURES INDEX
12 COMMODITIES
AVERAGE 1924-1926—100

	1959	1958	1953	1951	1941
High of Year	152.7	159.0	166.8	215.4	84.6
Low of Year	144.2	147.2	153.8	174.8	55.5
Close of Year		147.6	166.5	189.4	84.1



Mexico Revisited . . .

(Continued from page 351)

Despite the dire expectations, many problems were gradually worked out, and Mexico rode out the crisis without devaluing the peso and without making any use of some $355 million in credits put at its disposal by the U.S. Treasury, the Export-Import Bank, and the International Monetary Fund. In part, Mexico was helped by a series of lucky coincidences, but credit must also be given to the authorities for taking courageous steps to correct the situation.

► First, the recession in the United States proved short-lived, and U.S. imports from Mexico were generally well maintained, thanks to the growing diversification of Mexico's exports and substantial increases in cotton, livestock, and some mineral shipments. For the first eight months of 1959, exports were up to $528 million, a rise of 11 per cent over the same period last year. The tourist season this year too will probably be the best on record.

► Second, a bountiful harvest in 1958 and again this year, eliminated the need for a large foreign exchange outlay for food. Stiff restrictions and the growing diversification of local manufacturing helped to keep down imports. As a result, imports for the first eight months, at $654 million, were some 18 per cent below last year's level, and the trade deficit, which during the January-August period of 1958 was around $320 million was cut this year to about $125 million.

► Third, steps were taken to reduce the budgetary deficit and tighten bank credit. The growth of the money supply has slowed down and inflationary pressures have abated. While upward revision of minimum wage rates is anticipated, labor is generally less demanding, particularly as retail prices are leveling off. What has helped, also, is the firm stand taken by the new President, Adolfo Lopez Mateos, who has had long experience in handling labor problems. Mexico has not seen in more than a decade such determined action as he showed last spring in handling the strike of the leftist railway workers' unions.

With business booming once more, some of the Mexican capital which took flight is returning home. In September, the President was able to report in his annual message an increase of some $75 million in Mexico's international reserves from the low point of $336 million reported in 1958. With the more comfortable reserves, the stability of the peso appears to be assured for at least a year and a half. However, much will depend on the ability of the authorities to keep down the budgetary deficit.

Investment Prospects

With economic expansion resumed and confidence in the peso restored, foreign business has been taking a fresh look at investment opportunities in Mexico. As the accompanying table shows, foreign direct investments in Mexico doubled during the 1950-57 period, and reached a figure of about $1,200 million. Nearly 70 per cent of this was American, with Italy and Japan holding second and third place respectively. Western European investments are centered chiefly in the chemical industry, auto assembly, and air transport.

A large part of the $780 million of American capital invested in Mexico at the end of 1958, has gone into manufacturing of consumer durables (household equipment, electrical machinery). Nearly all U.S. automobile manufacturers now have assembly plants in Mexico. American capital has also complemented Mexican capital in the heavy industries and the paper and pulp industry. Other fields in which U.S. capital has a large interest include private electric utility companies, bottling plants, and retailing establishments.

The chemical industry is one of the fastest growing at present. In 1957, some 800 chemical companies, most of them with U.S. or European capital, were reported operating in Mexico, representing a total investment of about $240 million. The market for fertilizers and insecticides is capable of several-fold expansion. One of the latest developments is the entry of the State-owned petroleum producer, Pemex, into the petrochemical field to fill domestic requirements for synthetic ammonia, plastics, detergents, and synthetic rubber. An over-all investment of more than $500 million is planned, a substantial portion of which is to be provided by West European capital. END

Should the Value of the Dollar Rest on Gold?

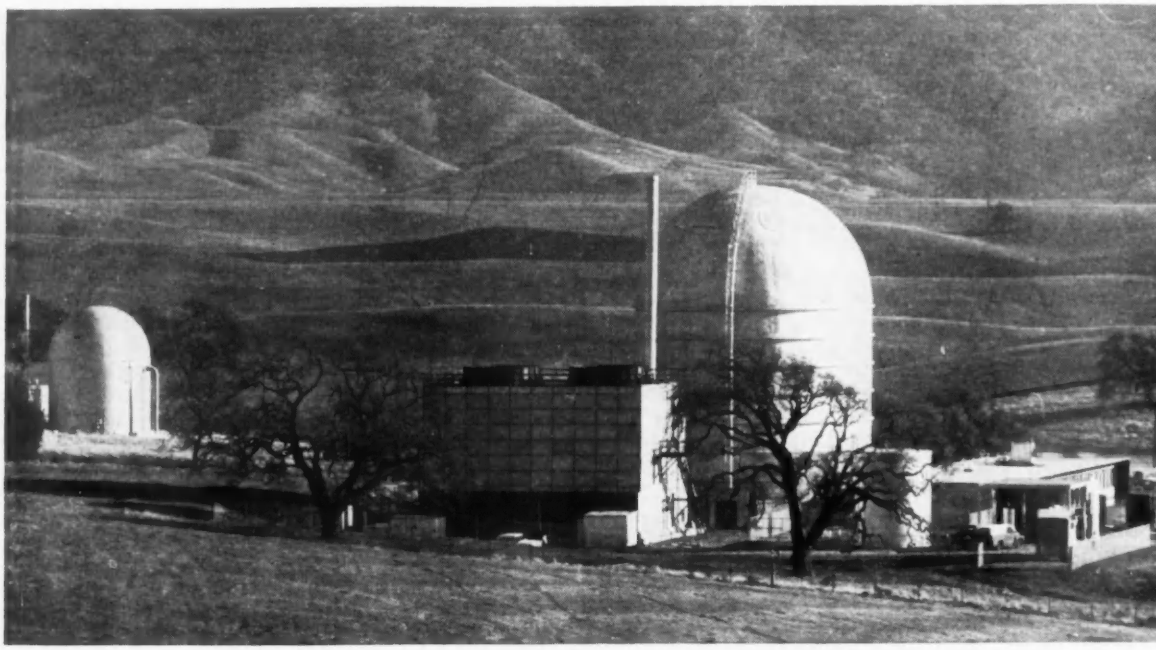
(Continued from page 338)

now reduce our gold certificate reserve requirements against note circulation, it is apparent that *there has been a drift of the dollar away from gold.* To some this is abhorrent and should be stopped, while to others it may seem to be a natural evolution away from a dependence upon gold to an era of managed currencies. As long as the money managers follow sound credit policies and receive the support of the people and the Congress, it is reasonable to believe that the dollar will be maintained as a "hard" currency. This will also involve the taking of steps to correct the present imbalance in the country's balance of payments. *This lack of balance is a symptom of a maladjusted relationship of the United States in its economic dealings with the rest of the world.*

Unless steps are taken to correct these maladjustments, no change in our gold reserve requirements can be expected to have any lasting effects. And, conversely, if the proper steps are taken to bring our balance of payments closer to equilbrium, the gold reserve situation will take care of itself whether we modify the requirements or leave them as they are.

In the final analysis, there is no substitute for sound economic, credit and fiscal policies, well administered. All that gold reserve requirements may be expected to accomplish is to aid in the attainment of a sound currency. There must be support from the people and from their elected representatives if sound money is to be maintained and inflation is to be avoided. END

Soon...Cheaper atomic power w



General Electric Vallecitos Atomic Laboratory. Here, in California's Livermore Valley, U.S. Steel sponsors the first large-scale, privately financed study of radiation effects on steel. Project will hasten the advent of low-cost atomic power.

This G.E. technician adds a touch of glamour to the serious business of making a radiation count on foil samples removed from General Electric Test Reactor. She works in a mobile lab made available to the project.

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An Expert Appraises 1960 Outlook for the Automobile Industry

(Continued from page 354)

will try to make 250,000 Falcons.

Hence, the Big Three makers have thus far been able to produce a total of only about 125,000 new compact cars, to meet the challenge of American Motors' Rambler and Studebaker's Lark. Rambler has had little trouble in boosting its output to over 8,500 cars a week, over 50 per cent more than it was able to make and sell in the same period of 1958. And Lark has been making and selling over 3,300 cars a week, over 10 per cent more than were being made in the corresponding period of 1958.

Rambler and Lark have been handicapped only slightly by the steel shortages. This situation has come about partly through aggressive procurement policies practiced by these companies. An even more important factor, however, was probably the reluctance of General Motors to pre-empt its normal requirements.

If General Motors had sought to nail down all of the steel that it could get, in ways which it knows how to use, in the pre-strike period, it would have created two serious problems for itself. In the first place, increased shortages for American Motors and Studebaker would have resulted in criticisms from the latter companies of the purchasing policies of General Motors. And second, General Motors, now facing anti-trust charges, would have been criticized by the "anti-bigness" forces, for using its economic power to protect itself against shortages.

This episode shows that there are sometimes severe disadvantages to being the largest producer in an industry. The largest company is usually the target of political attack, and it must therefore refrain at certain times from following sharply competitive policies.

The Cost to General Motors

In any event, the fourth quarter has produced a topsy-turvy situation in the auto industry. From Nov. 1 to Dec. 14, General Motors, which normally accounts for nearly half of the industry total, will show production far below that of its two smallest competitors, American Motors and Studebaker-Packard, and also well below that of Ford Motors, its chief rival.

For the month of December, General Motors will make only a little over 160,000 cars—less than one-half its normal total, and also well below its normal ratio of the industry's output. The industry total should be a subnormal 420,000, with General Motors accounting for only 36.5 per cent of the total, while Ford will get over 39 per cent, and American Motors over 8 per cent.

In the first nine months of the year, General Motors reported net profit of $2.55 a share, a good gain over the $1.39 a share reported for the same period of 1958. If the steel strike had not occurred, General Motors might have earned over $1 a share in the fourth quarter, and it might have paid an extra dividend for the first time since 1955.

Now it appears that the GM net for the fourth quarter will not even equal the 47 cents a share reported for the third quarter, a changeover period in which volume is usually the lowest of the year.

But General Motors could enjoy a very fine first half in 1960. The pre-strike sales performance showed that its new cars were well received by the public. Its dealers are greatly in need of inventories, and General Motors early next year will have to schedule the type of production build-up that normally takes place in the fourth quarter, when dealers are accustomed to accumulate inventories.

Position of Ford

Ford Motor Company should do extremely well, not only in the fourth quarter, but in the first and second quarters. The new Falcon and the newly restyled Ford cars appear to have enjoyed an excellent reception. The nine months' earnings of $6.19 a share should be boosted to well over $8 by the end of 1959. In the first nine months of last year, Ford made only 2 cents a share on the common stock.

Ford is trimming its excess baggage, in a move for a higher profit margin. It has decided to scrap its medium priced Edsel, which has been an unsuccessful and costly entry ever since its

introduction in 1957. In addition, next year Ford will bring out a new compact car, the Comet, to be offered as a companion to the larger medium-priced Mercury. Neither Edsel or Mercury have been money-makers for Ford, owing to their unsatisfactory volume, but it is likely that the Comet will enjoy greater success, in view of the present popularity of compact cars.

Chrysler Makes Good Showing

Chrysler showed a good pick-up in the first half, but ran into heavy losses, totaling $29 million in the third quarter. This brought its net profit for the first nine months down to $2.73 a share, which remained a considerable improvement over the deficit of $5.18 a share reported for the 1959 period.

The loss reported for the third quarter came about partly as a result of the extended model changeover, made necessary by the introduction of the new unitized body construction. This is a new method of car design, replacing the old body-bolted-to-frame design. Chrysler is the only member of the Big Three offering unitized construction in its entire line for 1960, and this exclusive feature may help Chrysler in the sales contest when conditions become more competitive.

Another factor which adversely affected Chrysler was the heavier write-off for tooling, made necessary by the extensive redesign of its 1960 model cars.

American Motors Made Hay

American Motors has proved that the success of its 1959 models was no flash in the pan. It has thus far been outselling the Big Three compact cars by a substantial margin, but part of the credit must go to American Motors' vigorous and far-sighted steel procurement program. Rambler dealers, however, have had to offer discounts running up to $200 per car, to achieve the excellent sales figures which have been reported. The dealers of its major competitors, on the other hand, have been realizing full list prices on Chrysler's Valient, GM's Corvair and Ford's Falcon.

George Romney, President of American Motors, is apparently confident that he will be able to meet the Big Three competition. He is leasing the Simmons Com-

pany plant in Kenosha, and is investing $14.5 million to boost Rambler body output by 35 per cent. This expansion will bring Rambler total output to well over the 600,000-unit-a-year level, during the latter half of 1960, when the 1961 models will be introduced. Since the Spring of 1958, Rambler capacity has been boosted from 250,000 a year, yet the expansion has been accomplished at low cost.

The new investments in facilities by Rambler mean that Mr. Romney feels that the market for compact cars will continue to grow, and he is placing himself in a position to get his share of the larger market. He has predicted that compact cars will account for over 2.2 million units in sales during 1960, of which Rambler will take over 500,000. In the 1957 model year, 99,200 Ramblers were produced; in 1958, 162,182 units, and in the 1959 model year, 374,240.

Thus far, the pricing policies pursued by the Big Three have actually strengthened Rambler's position. American Motors reduced its 1960 Rambler prices up to $40 below 1959 prices. With its 100 inch American, which accounts for 25 per cent of total Rambler Sales, it offers the lowest priced two door sedan of all American producers. Its 108 inch Rambler, however, sells above the prices quoted for Corvair, Falcan and Valiant cars which have approximately the same wheelbase. The discounts quoted by dealers on the Rambler cars, have kept them in a strong competitive position, and this situation is likely to continue through the first half of 1959.

It must not be assumed, however, that the Big Three will continue to pursue present pricing policies on compact cars. Ford and Chrysler, for example, are extremely unhappy over the aggressive gains which Rambler is scoring; for when the Rambler share of the market rises, it means that the Big Three share is reduced. Before many months have passed, Rambler will have to face a more competitive market. This may require either price reductions, or more aid for dealers in the form of bonuses, extra discounts, etc. Such a trend would tend to cut Rambler's profits per car; but as long as volume for Rambler holds above 400,000 a year, the profit reported by the company for the 1960 fiscal year will make a favorable comparison with the record-breaking 1959 total.

Comeback for Studebaker-Packard

Studebaker-Packard, with over $20 million in net profit indicated for the 1959 calendar year, has enjoyed in 1959 a rise almost as mercurial as Rambler's. The Studebaker Lark is a solid, sensible little car that is not likely to fall quickly out of favor with the public, although competition is undoubtedly going to be much more severe in the compact car field. The Lark line has been strengthened by the addition of a convertible and a larger line of station wagons.

Studebaker-Packard's net profit for the first nine months of this year totaled $2.39 a share, compared with a deficit of $3.50 a share for the same period of last year.

The strong showing of all of the compact cars indicates that some of the larger automobiles will find it difficult to expand their markets in the future. In fact, some makes may sustain a dip in sales. But at this moment, it appears that the larger cars will still remain the backbone of the business, accounting for at least 50 to 60 per cent of the total market over the next few years. An increase in the number of two-car families is expected, and many of these families will buy at least one compact car.

In Conclusion

The "Golden Sixties" may not bring the long anticipated boom in the automobile industry. But it appears that sales averaging about 6.5 million cars and over 1 million trucks a year may be expected, with continuing economic stability.

The most encouraging development this year has been the introduction of the compact cars. This means that Detroit is determined to stop the inroads of the foreign economy cars.

However, the imported cars have done rather well since the introduction of the new American-made compact cars, possibly because of the shortage of American cars resulting from the steel strike. But when American compact cars are in better supply, European made cars may find it difficult to make further gains, and some may even lose a portion of their present market.

The challenge from abroad will not be fully answered by Detroit, however, until inflation is stopped in this country, and until the American car producers are able to bring out new entries which will compete in the 90-inch wheelbase category with Volkswagen, Renault, Fiat and other small European cars. These super-economy cars will continue to have a strong American following. Only by reducing their manufacturing costs will the American producers be able to recover this market of 500,000 to 600,000 cars from the Europeans. END

Chastened Aluminum

(Continued from page 361)

a new, cheaper aluminum sheet, termed building sheet. It was promptly followed by a competitive product by the other producers, priced about 8 cents a pound below the old list price for sheet. This meant lower prices for a sizable segment of the total sheet and plate market, which comprises nearly half of all mill product shipments. The step was defended by the producers as necessary because of increasing imports of fabricated products from abroad priced below the domestic market, as well as for expanding aluminum use in the construction field, in which zinc galvanized sheets have had a preferred position. It was emphasized that prices for "specification" sheets, a higher, quality product, would remain unchanged.

The unexpected price reduction aroused a storm of protest from the independent fabricators and caused considerable price confusion. They claimed their profit margins were seriously impaired, and declared the big producers were flooding the market and hinted darkly at a squeeze in a highly competitive market that might trigger a price war. In any event, it's been figured that initially the price cuts could reduce the industry's gross income by some $40 million.

No Real Steel Strike Benefits

The aluminum industry received no benefit from the steel

strike, indeed, the reverse. The 80 day cooling-off period thus far has hardly stimulated aluminum sales, as it may be many weeks before finished steel is again in adequate supply so that users of both metals can be satisfied. While it is unlikely there will be a strike in the industry because the unions are assured of a retroactive settlement to August 1 when terms are finally agreed to, it is virtually certain that labor costs will be higher when a new contract is signed.

What Chances For Sought-After Price Hike?

This all adds up to the vital need of the industry for a higher price than 24.7 cents a pound for pig. They have a good case. Since the price was slashed 2 cents a pound in April, 1958 because of Russian sales abroad, which was followed by a similar cut in Canada and U. S., the producers have been able to regain only 0.7 cents. Thus, the present price does not take into account higher operating costs that have followed the general inflationary trend of the economy the past year. Aluminum is the only one of the four major non-ferrous metals—copper, zinc, and lead being the others—which has not benefitted from a price rise in 1959.

But instituting and maintaining a price increase won't be easy. Aluminum sells abroad at about 22½ cents a pound, or more than 2 cents below the domestic price. Aluminium Ltd., the big Canadian producer, sells abroad as well as in the U. S. This company has shown no special inclination to go along on an advance in primary metal prices. It wants to expand its sales in this country to the independent fabricators, who are irate against the producers on the ground that they are competing against their own customers with their end products. Aluminium Ltd., primarily an ingot producer, is desperately anxious to expand its sales to fabricators and is unlikely to yield on its main selling point of price advantage. And unless Aluminium joins the domestic producers in a price hike, an increase is unlikely to get very far.

Thus a price hike in U. S. appears to hinge on a higher market in Europe. It would be futile to expect any advantage from a higher price here if the market on the Continent did not advance as well. Imports of fabricated products would zoom upwards from lower priced pigs and cheaper labor rates abroad. But however unfavorable the prospect is for maintaining a price increase, it seems likely that the attempt will be made following a definite settlement with the union on the new contract.

Sales to Red China?

Convincing proof of the anxiety of **Aluminium Ltd.** to expand sales at the risk of some popular disapproval is the recent decision of the company to sell 5000 tons, or about 1% of the company's production to Communist China. The company expresses the hope it will make additional sales there. *This directly reverses the previous policy of not selling to that country because of U. S. disapproval.*

U. S. producers have thus far made no sales to Red China, but both **Alcoa** and **Reynolds** have made successful efforts in a battle with Alcoa to obtain control of British Aluminium, largest distributor in the United Kingdom. But Alcoa came right back by buying a 49% interest in Imperial Aluminium, a U. K. fabricator and the same company will own 35% of a new Mexican primary aluminum producing firm. Its smelter will have 22,000 tons capacity and will begin producing in 1962. **Kaiser** will have a 49% interest in an aluminum fabricating firm in Argentina, to be in full production in 1961.

Quite evidently, the foreign market looks good to the domestic producers. This is not surprising. Per capita consumption of aluminum in U. S. is about 21 pounds. Abroad, it's about 6 pounds in Western Europe and 1 pound for the rest of the world. Major chance for expansion of use would seem to be outside of U. S.

Looking Ahead

This is not to indicate that aluminum use in this country has reached a peak, and like copper, increased consumption may be geared more nearly to population growth. Aluminum plans raids on the sales fields of other metals and feels as confident of the same sort of success it attained in displacing copper in the high tension electric transmission field. In line with this endeavor, some interesting gains have been made. *In the automobile industry aluminum is seeking to triple its use from 50 pounds per car to 150 pounds.*

An entry into this market has already been made by hot aluminum deliveries to nearby auto plants. Thus *Reynolds* has begun delivery under a long-term contract to *Ford's new casting plant* at Listerhill, and similar deliveries to *General Motor's Chevrolet division* adjacent to the Massena plant.

Earlier in the year the *Southern Railroad* placed a $15 million order for 1200 freight cars made largely of aluminum. Southern's president declared that this represented the *first large order for aluminum rolling stock* and added his opinion that it should mark a worthwhile break-through for aluminum in freight car construction.

Only recently *Libby McNeill & Libby* announced it would package its 1959-60 pack of frozen orange juice in aluminum containers instead of the conventional tin cans. This represents the *second major breakthrough*, the first being aluminum cans for packaging motor oil.

Breweries have also joined in the parade, with three companies now using aluminum containers, and on the West Coast sardines are being packed in the light metal. Considerable savings result from reduced transportation charges which must be paid by the packer. In the construction field, aluminum for curtain walls is fighting a battle with stainless steel.

The Investor

There is no gainsaying the brilliant future ahead for aluminum, which can confidently foresee a greater rate of growth than for any other non-ferrous metal. *The investor however, confronted with price-earnings ratios for the aluminum stocks of 35-40 to 1, may well pause to consider if present market prices have not discounted the future too much and too soon.* END

Stepped-Up Antitrust Action For 1960?

(Continued from page 345)

The proposed merger of Sharon Steel and Pittsburgh Steel was abandoned quickly, although such a consolidation of medium sized producers would conceivably result in their ability to compete more effectively against major units with lower production costs. There are a dozen or more smaller steel companies, with capacity of less than 2 million tons of ingots a year, which face financing problems in connection with modernization and improvements of plants. If these producers could merge, they would be able to carry out their modernization plans more effectively. Yet the enforcement of the law is an effective roadblock to such deals.

Similarly, *the proposed Texaco-Superior Oil* deal was quickly shelved. Several other merger transactions have been proposed only to be quietly dropped.

But many mergers continue to be consummated. These fall into several classes: ►mergers of companies in different industries ,to achieve greater diversification; ►vertical mergers aimed at achieving greater integration; ►and mergers in which companies absorb non-competing units in various sections of the country, to achieve broad geographic diversification.

The *geographical type of merger* is exemplified by the acquisition by large cement companies of smaller units operating in areas where the parent companies have not been represented. Thus Ideal, a Western producer, recently acquired a cement unit in Tennessee. Because cement, a heavy product, cannot be shipped economically for long distances, cement companies attemping to serve the national market must have plants in strategic locations. These mergers once consummated, have not been contested by the Department of Justice.

In the paper industry, many mergers in recent years have been aimed at greater integration and diversification of product. Makers of kraft paper have acquired paperboard box companies, with a view to broadening the market for their kraft paper. Similar, paper companies have bought lumber companies, in a vertical integration move designed to assure an adequate supply of raw materials.

Few of these moves have been challenged, because in the main they do not result in any reduction in competition. And the Clayton Act is primarily aimed at preventing any mergers or acquisitions which will reduce competition.

But where one paper company —Crown Zellerbach— attempted recently to acquire another paper company operating in Crown's own area in California, this step was promptly questioned.

Over the next few months, the antitrust division and the Federal Trade Commission, which often operates in the same area, will be watching industry's price moves particularly closely. With wage costs rising, industry may in some cases try to pass these costs along to the consumer. The action against the tire companies for allegedly fixing prices—following boosts in costs of labor and materials-shows what FTC may do in other fields where one market leader raises prices and other producers fall in line. It is difficult under such cases, however to prove collusive policies.

Price discrimination, too, is a likely field of increased activity for the Federal Trade Commission. *The Robinson-Patman Act contains a provision permitting companies which sustain injuries as a result of price discrimination to bring triple damage suits against the offending company. If the FTC uncovers any violations in this area, suits running into the millions of dollars will be brought by private corporations.* Many such suits have already been brought, and large settlements have been obtained.

The antitrust laws help to maintain business competition as a fair and equal contest. In some cases, however, the fear of antitrust action held by some large corporations has been so great that it has made it possible for small competitors to enjoy advantages which they would not normally achieve.

During the last year, the Antitrust division has won several important cases in the courts. It has also obtained consent decrees in a wide variety of antitrust actions.

Among the *consent decrees reached since Jan. 1, 1959* were those involving a distributor and nine *retailers of General Electric's* major appliances in the Toledo Area; three concrete pipe manufacturers; *five importers* of Japanese wire nails; *True Temper Corporation,* golf club shafts; *Gemex Corp.,* watch bands; *Ciba Company* and others, dyestuffs; *Standard Oil Company of California* and other oil products; six frozen food distributors; retail hardware dealers, Long Island; Retail Floor Covering Association, Philadelphia; five plumbing supply companies, San Diego, Cal.; Northern Pacific Railway; and several makers of plastering machines.

The Badly Needed Antitrust Labor Law

So much for Government antitrust action. But what about monopolistic labor that is killing small business and upsetting our entire economy?

It is unfortunate that the Antitrust Division as yet is not armed with laws through which it could prosecute union monopolies which impose inflationary and uneconomic settlements through the

use of unlimited power interlocking interests. Such a law is badly needed, to curb industry-wide strikes called by these powerful union leaders, and to restore some measure of control over costs to our citizens.

Thus far, the only monopolies involving unions in which the Justice Department has been able to bring action are those in which unions have conspired with trade associations or with employers, to restrain interstate commerce, by stabilizing prices in certain areas. But that is infinitesimal compared with the overwhelming power that labor unions now have to force their will on the people of this country whenever it suits their purpose, upsetting the economy from one end of the country to the other and interfering with our lives and the conduct of our affairs.

The people of the United States have not elected the union leaders to office, and should not be subject to their whims in a democracy like ours.

There is no question but that Congress is going to be called upon by the citizens of this country to take the action necessary to limit the power of union leadership to its proper proportions. We would not tolerate such abuses or supreme power from any corporation executive or group of executives. END

Our Answer to Subscribers Inquiring on Homestake Mining Company

(Continued from page 364)

down trend despite increasing efficiencies, better grade and higher output, it was obvious that the company was running more than twice as fast but was still falling behind in the race.

As underground workings, which now total more than 200 miles in length, increased, vertical development was extended well below the 5,000 foot level thereby raising costs significantly due to two-stage hoisting, the greater haulage distances involved and the necessity for more elaborate ventilating equipment. *The extension of vertical development had an adverse effect on reserve figures as well.* In many instances Homestake, after a full year of production, maintained or added to reserves by developing equal or more quantities of ore than the amounts extracted. But, with increased depth a higher grade material was required in order to be considered ore due to greater costs. Thus, reserves decreased from 20.5 million tons at the end of 1951 to 13 million tons by 1959.

Diversification Moves

In an attempt to beef up earnings potential, the company in 1953, made its first major diversification move by stepping into the fast moving uranium field. Acquisition and development of two small deposits in a region northeast of the Black Hills, and of three properties in the Big Indian area of eastern Utah was soon accomplished. By 1955, uranium production accounted for 7% of total earnings; 1956, 13%, and 15% of earnings last year. To secure a firmer position in the uranium industry, Homestake, in 1956, became a general partner in two partnerships operating in the Ambrosia Lake area of New Mexico, where earlier drilling had outlined the largest reserve of uranium ore thus far known in the U. S. An approximate 25% interest is maintained in both the Homestake-Sapin and Homestake-New Mexico partnerships, each of which holds contracts with the A.E.C. for the sale of uranium concentrates from two mills with combined daily capacity of 2,250 tons.

Costs in Capital

Participation in the uranium ventures was accomplished via depletion of the company's traditionally strong working capital position and through outside financing. Excess of current assets over current liabilities declined from $14 million at the end of 1952, to $6.1 million at the end of 1958. The present financial position however is still relatively strong with a current ratio of 3.3 to 1. Moreover, of the $9 million in current assets, $7.5 million is in cash and U. S. Governments, with close to $1 million more in the form of bullion.

The combined costs of bringing the two partnership operations into production approximated $25 million. Of the $17 million required by the Homestake-Sapin project, $9.5 million was acquired via a bank loan with Homestake lending the $7½ million balance. The New Mexico partnership project required $8 million and was obtained entirely via a Homestake loan. Thus, the company's direct capital outlay for its 25% interest in the two ventures totalled $15½ million. In 1957, Homestake floated two bond issues totalling $12 million and thereby altered its long standing simple capitalization structure.

A close examination of the A.E.C. contract terms reveals the profit potentials inherent in the two partnership projects. Over the five year contract period, 17½ million pounds of uranium oxide, having a gross sale value of $127 million will be delivered. The one quarter interest accruing to the company after recouping its capital investment would almost equal the gross revenues derived from gold sales during the past two years. Moreover, with assured uranium reserves in the Homestake-Sapin property alone, of close to double the total contract requirements, profits would increase significantly should the A.E.C. exercise its options for uranium purchases through 1966.

The Prospects

At this time, with U. S. gold outflows continuing at alarming rates, Homestake Mining takes on a measure of speculative attraction. Wall Street's famous "gold bugs," those perennial bulls on bullion who have been predicting an imminent hike in the gold price for many years, continue active, but the 6% decline in the index of 20 Canadian gold producing companies indicates the uncertainties in the minds of the speculators on this point. The South African gold stocks, although heavily pushed in this country, have not stimulated the interest of smart money, not only because of the uncertainties regarding a near term increase in the price of gold, but because of the upheaval now in progress on the African continent.

It is not difficult to see the attraction in Homestake should a price increase materialize. Based on 1958 production figures of 560,000 ounces and assuming no change in costs, every $1 increase

in the gold price would add 29¢ to the earnings of each of the 2 million shares of Homestake stock currently outstanding. A $50 price for gold would of course provide sufficient incentive for an increased production rate. But all this is in the lap of the gods.

With Homestake selling at around 42—and a 1959 price range between 49¼-30⅝, dividends of $2 per share, and a yield of 4.7%, the stock does not offer special near term attraction, since the possibility of a rise in the price of gold to $50 a share is still in the realm of speculation. Homestake therefore represents an income producer with a speculative plus. END

As I See It!

(Continued from page 333)

later, has a disciplinary effect. Mr. Reuther saw the handwriting on the wall, when Detroit was forced to lay off thousands of workers, due to the loss of its export market, and the steady rise of imports.

Mr. McDonald apparently still finds it easier to appeal to the union members' emotions than to face the facts. A few investments by steel companies in overseas plants would help to bring him to his senses. Sooner or later, Mr. McDonald is going to feel the pressure of the rank and file for a sensible, non-inflationary contract, under these circumstances, and we only hope that in the meantime it will not work hardships on the workers of this country. END

For Profit and Income

(Continued from page 369)

and supplies, is expanding in new products, including entry into electronics, and has well-defined sales growth. Its current-year earnings could reach $4.50 or more a share, a new peak, against $3.90 for the fiscal year ended last June 30. Dividends are at $1.50 plus stock extras (5% last September). Now 56, there is apparen basis for further rise over a period of time.

Aldens, Inc.

If you want the leading mail-order stocks (Sears, Roebuck and Montgomery Ward) you pay around 19 to 20 times earnings. The stock of the much smaller Aldens, which has had a fair profit record for many years, is selling around 13 times earnings at 46. Profit for the year ending January 31, 1960, should approach a record $3.60 a share, up from the prior year's $3.01 on about 18% fewer outstanding shares. Over $4.00 seems possible in the 1960 fiscal year. The stock's uptrend could well be extended.

Market Outlook For Early 1960

(Continued from page 335)

charges of excessive profits attributed to manufacturers in sales of antibiotics and other wonder drugs—remains to be seen.

What is disturbing to investors is the fact that these drug hearings should be pressed in an Election Year—in a period of uncertainty—and during an impasse between labor and industry.

The coming issue, that of January 2nd, 1960, will contain our Annual Reappraisal and Market Forecast for early 1960, and will offer suggestions as to the stocks to be retained and those that should be sold — what proportion of your funds should be held in cash or the equivalent — and selected issues offering reasonable price-earnings ratios and income return commensurate with money rates to prevail.

Monday, December 14

Two Excellent Long-Established Companies in a New Phase of Growth

(Continued from page 367)

a highly successful system of motion picture projection. The first film produced was the popular "Around the World in Eighty Days," produced by the late Michael Todd. Then came "South Pacific" and Gershwin's "Porgy and Bess," which have played to large audiences. *Decision of Twentieth Century-Fox to invest in Todd-AO convertible preferred stock was regarded as an indication that the management considered the Todd-AO system superior.*

Meeting Competition

Aggressive promotion of activities other than ophthalmic items is expected to accelerate sales growth in areas least vulnerable to foreign competition. Glasses and equipment used by opticians are believed to have accounted for about half of total volume in recent years.

Research has led to introduction of new products offering prospect of expansion in consumer markets. The company cites examples of recent product development in such items as a gold-line bifocal lens producing more pleasing visual effects; a new *aspheric cataract lens* series improving visual performance of these higher-power lenses; a new *refractometer for measuring total solids in blood plasma* and urine for rapid diagnosis by the medical profession and several new designs of *plasmic camera lenses* which give superior performance.

A *comparatively new development* that is believed to have considerable potential is a new type of *rear view mirror being tested by the automotive industry.* It is reported to represent an adaptation of a periscope devised for jet plane pilots, consisting of a lens built into the roof of a motor car. From this vantage point the view of a roadway in the rear is passed forward in the car and reflected to the driver's own mirror to provide a more comprehensive picture of traffic conditions.

Prospects for growth in ophthalmic lines are considered especially promising in reflecting population growth and rapidly increasing emphasis on prescription of glasses for children whose vision is found defective. In earlier years, youngsters' need for such care often had been neglected. Development of products fulfilling military requirements also opens an expanding market.

Both companies discussed here have gained a strong foothold in the specialized ophthalmic and optical phases of the glass industry which appear to hold promise of steady expansion. But, in the light of the advanced stage of the general market, we believe these shares will be available for purchase at lower levels, in view of the expected tightening in money rates. END

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THE audit on December 4 of all stocks held in the open position of The Forecast shows a net of 596⅛ points, over and above any losses. These profits are apart from the 138 points gain already "salted down" earlier this year. This impressive record reflects our special skills and judgment — and the ability, so plainly demonstrated, to select stocks before they are split:

30.7% Gain on DENVER & RIO GRANDE WESTERN — This stock recommended at 39 was split 3-for-1 a few months ago, so for each share bought our subscribers now hold 3 new shares selling at 17.

50% Appreciation in SOUTHERN PACIFIC — This issue was picked as a buy at 45. It has recently been split 3-for-1 and the new shares are up to 22½.

125% Appreciation in REYNOLDS TOBACCO—We advised subscribers to buy at 55½ and recently the stock was split 2-for-1 so Forecast clients now have 2 new shares selling at 63 for each share purchased.

332% Enhancement in INTERNATIONAL TEL. & TEL.—Originally recommended at 18½—this stock was also split 2-for-1 in 1959 so Forecast subscribers today own 2 new shares quoted at 40, for each share acquired. quired.

STRENGTHEN YOUR INVESTMENTS — LOOKING TO 1960

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★★★ Book Reviews ★★★

Hope for South Africa

By ALAN PATON

The problems facing South Africa have become a byword for all that is hopeless and intractable. What possible good can come to a country split into so many apparently irreconcilable groups—British, Afrikaans, Colored, African and Indian?

Yet South Africa is one of the great countries of the world, as rich in its spiritual as in its material resources.

The author of this book is one of South Africa's leading citizens, enjoying a world-wide reputation as a great novelist and a great humanist.

Here he sets forth his political philosophy, which is the very reverse of a philosophy of despair. He looks at the future through the lens of past and present, and see hope ahead. He is not oversanguine; he provides no blueprint for racial reconciliation and harmony. But he shows clearly and firmly how, given a modicum of good will, all the formidable obstacles that seem to loom so large can be overcome.

It is a book to be read by everyone interested in South Africa's future and in the problem of interracial tension, even—if not most of all—by Mr. Paton's most forthright political opponents.

Praeger $6.00

The American Heritage Book of the Pioneer Spirit

In the nearly 500 years since Columbus discovered the New World, the people who came here have developed a peculiarly American national trait—the pioneer spirit. Or so our orators and oracles tell us.

But do we have such a birthright? Were those who won and built this nation mere adventurers, made heroic by a raw and lucky land? Or did they engender and hand on to us a true pioneering spirit we can rely upon today? *The Pioneer Spirit* is a fascinating and magnificently illustrated volume that examines the validity of this special quality through the lives of the men and women who personify it.

More than 480 pictures—150 in full color—plus 150,000 words of narrative tell the story of the villains and heroes, square pegs and round who helped to shape our national character. Contemporary portraits and paintings, crude pioneer drawings, photographs, and rare early maps illumine nearly every page. In addition three colorful 16-page picture portfolios are included: the early, often distorted European view of America; the pioneer's idea of the land between the Atlantic and Mississippi; and the old Wild West. Hundreds of sources in the United States and Europe were consulted in order to obtain the finest and most significant illustrations.

The Pioneer Spirit was produced by the Editors of AMERICAN HERITAGE, The Magazine of History. It is an original work, cover to cover, not a compilation of material previously published in the magazine. Four first-rank authors tell the story: the distinguished historian *Allan Nevins* set the stage for each of the eleven chapters with an anecdote-filled history of the period. *Alvin M. Josephy, Jr., Peter Lyon,* and *Francis Russell* go on to examine the nature and achievement of the extraordinary people who built our nation. Under the direction of Richard M. Ketchum, Associate Editor of AMERICAN HERITAGE and head of the company's Book Division, ten researchers and historians supplied the factual background for the book. Among their findings is a fascinating assemblage of old diaries, journals, letters and other documents which are included in a fourth 16-page portfolio, entitled "The Promised Land." A complete Index enhances the value of *The Pioneer Spirit* as a reference work.

Here is a book to browse in, a collection of true adventure stories; and here too is a definitive, illustrated account of Americans' unremitting push to discover themselves. Their stories are moving, often unintentionally funny, filled with the miscalculations and triumphs of people who energetically accepted challenge and faced the future with optimism. This is a book for every inheritor and hopeful perpetuator of the pioneer spirit.

Simon and Schuster $12.95

War Memoirs of Charles de Gaulle

Unity 1942-1944

"For me it was no longer to be a question of sending a few troops into battle, rousing the allegiance of an occasional strip of territory, singing to France the ballad of her greatness. It was the entire French people, as it stood, that I would have to rally around me. Against the enemy, despite the Allies, regardless of terrible dissensions, I would have to constitute around myself the unity of lacerated France."

Thus Charles de Gaulle, the man who has twice saved his country, introduces the theme of this, his powerful and moving account of the central experience of his life.

The drama begins during the third spring of World War II, when, "with the huge resources of the United States transformed into means of battle," the tide turned, "everything inclined the Allies to strike rather than to endure . . . and an operation of major scope was under way in the West."

"I saw this enterprise take shape," De Gaulle writes. "Quite alone among my well-buttressed associates, quite poor among the rich . . . "What he saw, too, with overwhelming force, was that for his country—nominally governed by the hated men of Vichy under the total domination of the German invader, and wooed by the Communists, who, since Hitler's attack on Russia, had proclaimed themselves the champions of France—it was not enough that the enemy should be expelled; France's future demanded that she emerge from the war an active belligerent, unsubverted, reunited around a single central authority.

De Gaulle, already accepted by the French resistance as the head and symbol of Free France ,took upon himself the task of unifying and leading the nation, representing her in high councils, maintaining her as an honorable and equal partner in the Allied cause. And this against the bitter opposition of the Allied leaders, who would not accept and could not ignore him.

"You claim to be France!" Churchill thunders in one of the consistently stormy encounters between the two men. "You are not France! I do not recognize you as France . . ."

"Then why," De Gaulle interrupts, "and with what right are you dealing with me concerning her world-wide interests? . . ."

And Roosevelt ("beneath his patrician mask of courtesy he regarded me without benevolence") is vividly portrayed in De Gaulle's account of private meetings with the President—meetings which have the atmosphere of a duel, between two great adversaries who, respecting but instinctively distrusting each other, knew that they could never come to a real understanding.

Also through these memories runs the drama of De Gaulle's tense encounters with General Giraud, the "nonpolitical" soldier whom the Allied chiefs, suspecting De Gaulle of vast personal ambition, tried in vain to constitute the leader of the French cause.

Unity tells how De Gaulle accomplishes the task he set for himself, moving inexorably past all obstacles until, with the landing of the Allied armies in Normandy, he sets foot at last on French soil and, finally, in liberated Paris.

The magnificent sweep of De Gaulle's narrative, his incisive comments about such men as Roosevelt, Churchill, Eden, Macmillan, Pope Pius, Cardinal (then Archbishop) Spellman, Eisenhower, Willkie, Hull, Forrestal, Darlan, Petain, Laval, Giraud, Smuts, Benes, his stirring accounts of the men of the French resistance, his precise understanding of his own personality and of the image he presents to the world make this book as fascinating as it is important, both as a work of history, and as a revelation of the enigmatic man who is one of the heroes and leaders of our time.

It is written with a brilliance and strength that must assure it a place among the handful of classic works by great men who have been both the makers and the recorders of the great events of history.

Simon and Schuster $6.00


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